

# Rethinking welfare for the 21st century: Forum Proceedings

Report from the forum held 10 September 2010, at  
The University of Auckland Business School  
co-sponsored by

The University of Auckland's Retirement Policy and Research Centre, Public  
Policy Group and Departments of Economics and Sociology, and by  
Child Poverty Action Group

Editors: M. Claire Dale, Susan St John, Louise Humpage, Mike O'Brien, Julie Timmins



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## Contents

Preface .....	3
Organizing Committee .....	4
The Forum: Rethinking welfare for the 21st century <i>Susan St John</i> .....	5
Reframing the social inclusion debate for the twentyfirst century <i>Paul Smyth</i> .....	10
Child Deprivation in Australia: Findings and Implications for Welfare Reform <i>Peter Saunders</i> .....	16
Reflections: the morning's contributions and the local context <i>Mike O'Brien</i> .....	34
General labour market picture in New Zealand <i>Paul Callister</i> .....	36
Issues and implications for Māori in the welfare reform process <i>Cindy Kiro</i> .....	49
Reflections from the 'coalface' <i>Kay Brereton</i> .....	51
Welfare reform: Changing the way we account for taxes and benefits <i>Keith Rankin</i> .....	53
Towards welfare solutions: Public attitudes and how we should 'frame' the debate <i>Louise Humpage</i> .....	58
Political realities and strategies: a brief reflection on today's forum <i>Sue Bradford</i> .....	66
Final Summing-up <i>Susan St John</i> .....	69
BACKGROUND PAPERS: .....	71
The Social Laboratory <i>Ian Shirley</i> .....	71
What work are we counting in our 'family' policy? <i>M. Claire Dale and Susan St John</i> .....	82
On Dependency <i>Mike O'Brien</i> .....	88
Whanau Ora policy is an enlightened way forward for all New Zealanders <i>Naida Glavish</i> .....	100
Our lurch from sphere of grief to miseries of life <i>Chris Trotter</i> .....	102
What the Welfare Working Group report really says <i>Anne Else</i> .....	104
The Welfare Working Group's latest round of welfare bashing <i>Gordon Campbell</i> .....	108
Welfare Group doles out benefit bashing <i>Finlay MacDonald</i> .....	110

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## Preface

In 2010 the government announced the Welfare Working Group (WWG) and introduced a major welfare reform in the Future Focus Bill 2010, rapidly passed into law in August as [Social Security \(New Work Tests, Incentives, and Obligations\) Amendment Act 2010 No 105](#).

Alarmed by the narrow nature of the debate and the undue focus on paid work as only the solution to complex problems of poverty, several academics and front line workers sought an outlet for a wider debate. An alternative working group was set up to provide a forum for different views and in September 2010 a coalition of interests focused around The University of Auckland Business School Retirement Policy Centre, the Sociology Department, the Economics Department, the Public Policy Group, and Child Poverty Action Group held a forum to discuss the way in which welfare should be re-designed for the 21<sup>st</sup> Century.

The intent was to examine the social inclusion framework which has seen some shift in Australian hard line welfare policy. Paid work is important but it is only one aspect of social inclusion and while not always the case, Australian policy appears to have benefited from putting social inclusion rather than paid work at the centre. As contributor Paul Smyth who is a Professor of Social Policy at Melbourne University and the director of the Brotherhood of St Laurence said in the [November Brotherhood comment paper](#) on his return to Australia:

*Working for social policy change can often seem like watching the grass grow. While the day-to-day growth may be imperceptible, with time the change is unmistakable. The case of the social inclusion agenda in Australia is an excellent example. Adopted by the Rudd government three years ago, it has often been dismissed as ambiguous and ephemeral.*

*...as 2010 draws to a close the reframing of Australian social policy around concepts like 'social investment' and the 'inclusive society' sets Australia starkly apart from a country like New Zealand which is currently immersed in the kind of 'welfare war' which we experienced back at the turn of the century.*

The purpose of the Auckland University September forum was not simply to be reactive to current initiatives and the WWG, but to begin the proper debate that is fitting for the 21<sup>st</sup> Century on these issues. These proceedings bring together the various contributions of that day and also include as background material, supporting articles and papers that have been written in the same vein.

### Acknowledgements

The editors, M. Claire Dale, Susan St John, Louise Humpage, Mike O'Brien and Julie Timmins, thank all the contributors for their willingness to share in this project. We are also grateful to Ian Shirley, M. Claire Dale and Susan St John, Mike O'Brien, Naida Glavish, Chris Trotter, Anne Else, Gordon Campbell, and Finlay MacDonald for additional background material.

The editors are grateful to Scoop for their publications relevant to this debate, and to Scoop and Lyndon Hood for their permission to use the image on the front cover.

## Organizing Committee

This forum is hosted by groups within the university in partnership with CPAG.

**Dr M. Claire Dale:** currently Research Fellow with the Retirement Policy and Research Centre, Claire has taught in the Departments of English, Economics and Management and Employment Relations at the University of Auckland, where she completed a PhD. She co-authored CPAG's report *Our Children: The Priority for Policy* (2001), is a contributing author of *Left Behind: How social and income inequalities damage New Zealand children* (2008), and is lead author of *What work counts* (2010), available [here](#). She is active in consumer finance, financial regulation and consumer protection.



**Dr Louise Humpage:** Louise is a Lecturer in the Sociology Department at the University of Auckland. After receiving a doctorate in Sociology from Massey University in 2003, she held a Post-Doctoral Fellowship at the Centre for Applied Social Research, RMIT University, Melbourne for 2.5 years. She joined the Sociology Department in mid-2005 and was awarded a Royal Society Marsden Fund grant 2007-2009 for her work on understanding social citizenship in New Zealand.



**Dr Mike O'Brien:** Associate Professor of Social Work and Social Policy, Massey University, Albany. Mike is the social policy programme coordinator in the social policy and social work programme at Massey University's Albany campus. He teaches social policy and welfare change and has written extensively on social security and child poverty issues. He is currently the Co-director of CPAG and chairs the Welfare Justice Alternative Welfare Working Group recently established by Caritas, Anglican Social Justice and the Beneficiaries Advocacy Group to prepare a report on welfare reform. Recent publications include *Social Welfare, Social Exclusion. A Life Course Frame* (with L. Harrysson) (2007), *Social Policy in Aotearoa New Zealand* (with C. Cheyne, M. Belgrave) (2008), *Poverty, Policy and State* (2008), *New Zealand New Welfare?* (2008), *What Work Counts?* (with D. Wynd, C. Dale and S. St John) (2010), *Child Poverty and Child Rights Meet Active Citizenship: A New Zealand and Sweden Case Study* (with T. Salonen) (forthcoming).



**Dr Susan St John:** Associate Professor of Economics, University of Auckland, and co-director of the Retirement Policy and Research Centre. As a researcher and commentator on child and family poverty issues and founding member of CPAG, Susan has an extensive track record of articles and presentations. She contributed to the special child poverty edition of the *European Journal of Social Security* in 2006: 'New Zealand's financial assistance for poor children: Are work incentives the answer?'



Susan co-edited *Left Behind: How social and income inequalities damage New Zealand children* (2008); co-authored other CPAG material including *Cut Price Kids*, and *Our Children: The Priority for Policy* (2001, 2003).

**Julie Timmins:** Child Poverty Action Group Administrator, and co-ordinator and contact person for this Welfare Forum, Julie has worked tirelessly to ensure the presenters and those attending the forum are informed and supported. Her organisational skills, focus, and sense of humour kept the problems to a minimum, and maximized the benefits of this gathering to share knowledge and information.



# The Forum: Rethinking welfare for the 21st century Susan St John



Susan St John is co-director of the Retirement Policy and Research Centre based in the Economics Department of the University Of Auckland, and is co-founder and an executive member of Child Poverty Action Group.

## **Introduction**

Tena koutou, tena koutou, tena koutou katoa, Haere mai, Welcome one and all: Guests, speakers and all participants in today's forum. We had a sharp reminder this week with events in Christchurch that life in the 21<sup>st</sup> century is subject to many uncertainties. A major catastrophe such as a depression or earthquake reminds us of our vulnerabilities, and of the value of collective provisions. It also reminds us of the limitations of purely private arrangements in a very uncertain and rapidly changing 21<sup>st</sup> century.

The topic today is contentious. For many the idea of welfare reform is extremely threatening. We come today with a wide range of backgrounds and concerns. None of our speakers are responsible for the mess our welfare state is undoubtedly in, and have come here today in the spirit of making a contribution to the way forward.

In the 21<sup>st</sup> century, everything has changed so quickly it's hard to comprehend: family; relationships; demography; ethnicity; technology; the labour market; and expectations. The world is moving so fast and we are so caught up in it that no one has the time needed to process the profound implications of the changes for society. Are we prisoners of the instant society? We want answers from instant taskforces, answers to complex problems at the push of a button. When do we do the hard work of thinking and take the time to take back control?



## **Today's purpose**

Today is an opportunity to pause and consider. Perhaps today will not produce a fundamental rethink. But it is intended that we are not just reactive to the changes we see proposed by others but that we start to set the agenda. It is also about taking the time to learn from Australia, instead of looking at the failed models of the US and UK.

We are forever trying to catch up with Australia but we know astonishingly little about what goes on there. In tax we are moving in very different directions: flattening our scale while Australia maintains a very progressive structure; and we are raising GST while Australia is maintaining their GST at 10%.



Also, importantly, they are engaged in a very different discourse around social welfare: some things we can learn from, other things to steer clear of. We are very pleased to welcome our esteemed Australian colleagues to provide some first-hand information to contribute to this forum, and to our understanding of the issues of welfare reform.

## **Context for this forum**

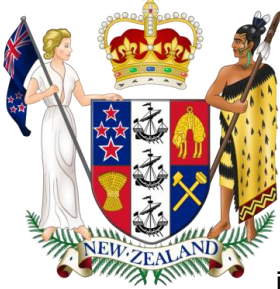
At the end of the 19<sup>th</sup> century we had gained the reputation of being a social laboratory; a hotbed of innovation with the introduction of Women's suffrage and the Old Age Pension. Perhaps we gained an inflated idea of our place in the world.

Following the widespread devastation of the depression 1938 marked the introduction of the modern welfare state with free education care and state housing ('cradle to grave' welfare).

In the post war period the welfare state was based around the ideas that the family was stable and nuclear and that the male wage should be enough to support the family. Full employment made the 'worker's welfare state' a reality with plentiful jobs and opportunities aided by generous family assistance and housing subsidies.

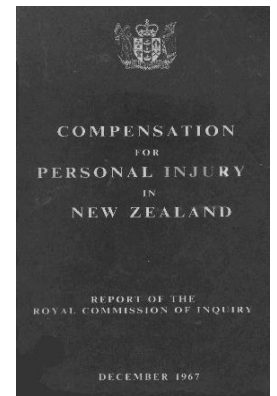


### **The Royal Commissions**



In 1967, a major Royal Commission under Sir Owen Woodhouse was a model of wide consultation and visionary thinking.

The report addressed the manifold failures of private insurance to address the needs of the injured in a modern industrialized world. The result was the remarkable 24hour/7 day no fault social insurance innovation of ACC.



Among many of its forward thinking aspects was the recognition of the value of work done at home by women. By the wide pooling of risk compulsory social insurance makes possible what private insurance fails miserably to achieve.

Another major milestone was the first major review of social security since 1938: the McCarthy report of 1972 was another well-resourced and visionary Royal Commission building on the 1938 Act. This report famously set out the principle that everyone be sustained at a level that *enabled participation and belonging*. In the 1970s other major innovations were the DPB in 1974 and National Superannuation 1977.

In the late 1980s the next major Royal Commission was set up to examine Social Policy. One of the Commissioners, Rosslyn Noonan, now the Human Rights Commissioner, is here today, and Peter Saunders, one of our keynote speakers from Australia, also worked on this commission. While the five volumes of the final report has been unkindly described as 'a good door stop', the point of the exercise was to distil social values. This report again endorsed wide principles of participation and consultation.



In this report, the three objectives of the income maintenance system giving more priority to children than before were set out as:

*Access to sufficient share of income and resources to allow all to:*

- **participate** in society, have a genuine **opportunity** to achieve potential and **live fulfilling lives**;
- *Relieve need*;
- *Ensure the wellbeing and healthy development of all children.*

### **Budget 1991 Welfare to Work**

The Royal Commission's 1972 publication was overtaken by the Roger Douglas revolution stressing self responsibility and individualism. The 1991 budget represented a rejection of the previous two Royal Commissions and an elevation of the principle of self- responsibility and




independence from the state. A wide range of 'reforms' that had not been subject to a Royal Commission process were imposed. Many of these 'reforms' were totally unworkable.

The harsh changes put the cradle firmly in the grave, and in the 1990s the rates of poverty shot up along with food-banks, homelessness, third world diseases and school transience.

### **2000s work focused reforms**

This decade has seen a relentless focus on paid-work and an increasing demand that this is to be seen as the answer, not more redistribution.

The wording of the **Social Security Act** was changed to elevate work as an end goal and displace the ideas of social wellbeing.



**Rewrite of the Social Security Act 2006: "Work in paid employment offers the best opportunity for people to achieve social and economic well being."**  
**"The priority for people of working age should be to find and retain work."**

The major reforms of 'Working for Families' and the 2010 Future Focus bill were not the outcome of any Royal Commission's deliberations. Consultation has been lacking, policies have become more and more complex and demanding of work, with more hints of the greater use of private insurance.

There has been no systemic attempt to ask what values are appropriate to the complex and evolving world of the 21<sup>st</sup> century and no real debate about the role of social insurance and how it is not just private insurance dressed up.

The Welfare Working Group (WWG) was set up to do some of the rethinking and consultation that has been lacking to date, but unlike former Royal Commissions the WWG is much more circumscribed in scope, and is severely time limited.

These proceedings begin with comments from the WWG's chair, and then the conversation is widened to examine the Australian approach and other New Zealand contributions. These proceedings also include a range of background papers and articles. The aim is to provide a broader focus in the hope that New Zealand may not return to the punitive regimes of the past but instead adopt welfare reforms that are appropriate to the 21<sup>st</sup> century.

## Where has the Welfare Working Group got to? *Paula Rebstock*



**Paula Rebstock**, chair of the government-appointed Welfare Working Group (WWG), is also Deputy Chair of New Zealand Railways Corporation, Chair of the Insurance & Savings Ombudsman Commission, and of the Probation Expert Panel (Probation Service), and a Member of the Shared Services Establishment Board (Health). She was formerly Chair of the Commerce Commission and a Director of the Foundation for Research, Science and Technology. She has previously held positions in Treasury, the Department of the Prime Minister and Cabinet, and the Department of Labour. Paula has a double degree in International Relations and Economics from the University of Oregon and a Masters Degree in Economics from the London School of Economics. In 2009 she received the Insignia of a Companion of the New Zealand Order of Merit for public services.

### **Terms of reference**

The Welfare Working Group is an independent review group that has been asked to provide advice to Government on how to make the welfare system effective and sustainable over the coming decades.

The focus of the Welfare Working Group is on how to reduce long-term benefit receipt, and reduce the growth in numbers and expenditure on benefits. In particular:

- how to reduce long-term benefit receipt and improve work outcomes for sole parents;
- how to promote opportunities and independence from benefit for disabled people and people with ill health;
- how welfare should be funded, and whether there are things that can be learned from the insurance industry and ACC; and
- whether the structure of the benefit system and hardship assistance is contributing to long-term benefit dependency.

Issues explicitly excluded from the terms of reference include New Zealand Superannuation, Working for Families, benefit adequacy, and issues being covered in the review of ACC.

### **Process and reports**

The aim is to encourage a wide ranging and informed public discussion of welfare issues. We have created an open process that seeks to engage all stakeholders and make information and research widely available. This includes:

- regular meetings of the Welfare Working Group – often with invited experts to discuss issues;
- forum held on 9th and 10th June at Victoria University;
- workshops with people on benefit, employers, providers and other stakeholders are being held around the country;
- Issues paper published in August 2010 (public submissions close 17 September);
- Options Paper to be published in November 2010 (with public submissions closing end of the year);
- final report to Government by the end of February 2011.

You can read papers, see the discussion, or make a submission on the website:

<http://ips.ac.nz/WelfareWorkingGroup/Index.html>





## Trends in the extent of benefit receipt in New Zealand

Some of the trends highlighted in our Issues paper include:

- in April 2010 there were 356,200 people or almost 13% of the working age population receiving a benefit, as the following table shows:
- a substantial proportion have been on a benefit for a long period – e.g. in June 2009 170,900 28-64 year olds on benefit had been on a benefit for more than 5 out of the last 10 years;
- around one in five New Zealand children were dependent on a recipient of a main benefit;
- if long term trends continue an increasing proportion of the population will be on a benefit.



### Numbers of people of a working age receiving a main benefit (April 2010)

Main benefit type	Number receiving at the end of April 2010 <sup>1, 2</sup>	Proportion of main benefit population
Unemployment <sup>3</sup>	75,300	21%
Sickness	65,700	18%
Invalid's	95,700	27%
Domestic Purposes – Sole Parent	98,300	27%
Other	21,000	7%
<b>Total main benefits</b>	<b>356,200</b>	<b>100%<sup>4</sup></b>

Notes: 1. Includes partners. 2. A further 13,800 people aged under 18 and 65 or older received a benefit. 3. Unemployment Benefit includes all unemployment-related payments, including Unemployment Benefit and Unemployment Benefit - Hardship paid to unemployed people. 4. Percentages do not add up because of rounding.  
Source: Ministry of Social Development Administrative Data.

Long-term benefit receipt is particularly concentrated in certain groups:

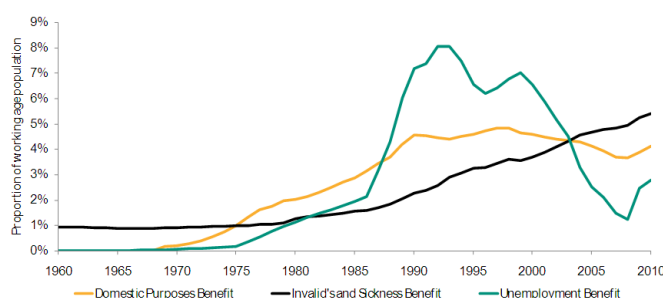
- young people aged 16–18;
- older people aged 50–59;
- single women with children;
- Māori and Pacific people.

### Key conclusions from our Issues Paper

- enabling people to secure employment is a critical component of our social safety net;
- employment provides access to a better income (particularly for children), but is likely to lead to improved health, confidence and social contact;
- existing policy settings are based on outdated notions that some groups cannot work;
- a failure to rapidly assist some people back into employment is contributing to high levels of long term dependence.



### Proportion of the working age population receiving different main benefits, 1960-2010



Source: Ministry of Social Development Statistical Reports and Statistics New Zealand population estimates.

# Reframing the social inclusion debate for the twentyfirst century

## *Paul Smyth*



***Paul Smyth:*** Professor of Social Policy at the University of Melbourne, and General Manager, Research & Policy Centre, Brotherhood of St Laurence, Fitzroy, Australia. This joint position involves leading research and the development of policy around partnership solutions to Australia's social problems. His work combines policy citizens need to master the risks of twenty first century living; and reworks the nexus between employment, wages and welfare through systems of flexicurity. Here welfare and the economy are not opposed, but good social policy

and economic policy reinforce each other. Paul argues in his paper: [Building an inclusive nation](#) that it is time Australia embarked on constructing a new social policy agenda. Two key themes provide the basis of a radical policy renewal: the social inclusion agenda, and the social investment state. The challenge is to take social inclusion from being a tag attached to an ad hoc assortment of policies and programmes directed at a few population groups and places unfortunate enough to be labelled 'socially excluded', to become the basis of a new Compact for a Fair Go.

## **Introduction**

*An equal society protects and promotes equal real freedom and substantive opportunity to live in the ways people value and would choose, so that everyone can flourish. An equal society recognizes people's different needs, situations and goals and removes the barriers that limit what people can do and be. (UK's EHRC, 2007)*

## **Background**

To understand the Australian view of social inclusion, we have to revisit the founding social contract struck at Federation. Across the nineteenth century, Australia's development was state led. At Federation the choice was between leaving economic development to market forces or the state leading the way in deploying export wealth to invest in a manufacturing and urbanization strategy which would both grow the population and set Australia on a high wage path that would deliver the kinds of jobs which could actually pay that "family wage" meant to be the basis of a welfare society.

Importantly, the 'founding fathers' who led Australia down the latter 'high wage' path represented employers as much as workers. For workers the strategy offered the prospect of better wages and public investments in their education, health and well-being. And for employers, the 'contract' meant government backing them to take the higher productivity route through a range of assistance packages including infrastructure, financial grants and subsidies as well as tariffs meant to protect industries in their infancy.

After two World Wars and a global economic crisis, this strategy was essentially reconstituted within a Keynesian framework in the 1940s with the vital addition of a government commitment to keep the economy at full employment. Highlighting the interdependence of economic and social policy it was this period of the developmental state which laid the economic base for the welfare state developments which followed.

In the late 1970s, poverty lines (estimates of the income needed to achieve a minimum accepted standard of living) were used to provide society with an indication of the adequacy of its social policy arrangements. The 'poverty war' around national understandings of poverty itself stepped up in the nineties.

The Howard Government was much more influenced by the US neoliberal policy model. This US influence in Australia was evident in the preference of the Howard Government for policies framed in terms of 'ending welfare dependency'. Citizenship was replaced by supervision as the guiding social policy principle. Nonetheless the Howard Government invested heavily in early childhood.

Most of the early action around social exclusion in Australia was at the State Government level and was concerned with "postcode" poverty. A legacy of this beginning has been a persistent tendency to equate social inclusion with community development type activities; of value certainly, but marginal to core economic and social policies. It became clear that this approach could no longer provide a clear consensual guide to what is an unacceptable level of inequality.

### ***From welfare to social investment***

Away from the poverty wars, a number of researchers had discovered the value of the capability paradigm developed by Nobel Laureate Amartya Sen. Coming out of a development economics rather than a welfare perspective, this approach also critiqued simple money based measures of poverty and focused rather on the resources people needed to realize their potential. Sen argued that poverty had less to do with the absence of income than with people's lack of resources to be able to choose the life they valued.

Simultaneously the Brotherhood of St Laurence launched its Social Barometer series which sought to identify the basic capability domains relevant to people at the four key stages of the life course: early years, school to work, the working years, and retirement and ageing. According to the Brotherhood, the role of welfare had to be seen less in terms of a basic subsistence income and more and more in terms of investing in people's capacity to negotiate the varied challenges of the typical life course. Whether one chose to reconceptualise disadvantage either in terms of capabilities or exclusion, the actual indicators were very similar.



Australian social policy research had begun to acquire the key features of the social inclusion approach. The limitations of the poverty line had been recognized and the quest for a multidimensional framework for measuring disadvantage had begun.

The emerging labour shortages and the impact of an ageing society brought a capabilities focus to economic policy. The emphasis had to be on the '3Ps – population, participation and productivity' with the key to the 'third wave' of economic policy reform being social investment in human capital.

The "3 Ps":  
**population,**  
**participation,**  
**productivity.**

From a capability perspective, it was argued that to be effective, investment would have to be directed as much at people's health and wellbeing as at their more narrowly understood 'economic capital'. This led to increased investment in the early years of childhood development. And as can be seen from the figure below from the Productivity Commission, *Potential Benefits of the NRA 2007*, have been judged to be successful.

### ***Investing in social inclusion?***

It is clear in debates around what constitutes social inclusion that there are widely differing views emerging from the respective economic policy positions.

These are broadly illustrated in the columns below. In a liberal welfare regime, as articulated in the writings of people like Adam Smith and John Locke, the free market is understood as the basis of national wealth and social integration. The ideology of liberalism sustains individual

endeavor with the role of the state confirmed as far as possible to that of the 'night watchman' ensuring the free functioning of the market. Market outcomes may be very unequal but national wealth overall will be greater, with the poor better off than otherwise through the 'trickle down' effect.

<b>Varieties of social inclusion</b>		
	<i>liberal</i>	<i>social democratic</i>
• <b>Conception of integration</b>	specialisation	monopoly
• <b>Source of integration</b>	exchange	citizenship
• <b>Ideology</b>	liberalism	social\democratic
• <b>Discourse</b>	underclass	inequality
• <b>Thinkers</b>	Locke \Smith	Marx\Marshall
• <b>Social policies</b>	Residual (charity)	Universal (state)

Those excluded in this kind of society are thought of as a kind of underclass outside the main society and they will be either the "deserving poor or undeserving".

### ***The 'big society' or the 'social investment state'?***

In this "big society" model, those with disabilities may receive state assistance but those poor through their own fault must be encouraged to get off welfare. In this model, policy looks primarily to non-government actors such as families, charities, philanthropists and social entrepreneurs to provide welfare.

The guiding principles of social democratic regimes are very different. With exemplars in Sweden and other Scandinavian countries, they function as mixed economies with the state being the ultimate guarantor of the inclusive society. The sources of exclusion are considered to be the failure of economic markets to achieve optimum outcomes.

Social democratic states using the vehicle of social investment are particularly focused on combating inequality. In social democratic welfare states, as Goodin et al, (2008) argue, macroeconomic policy promotes high levels of employment and a compressed wage distribution. Taxes are steep and welfare benefits are generous, typically universal and often flat rate.

A new articulation of the social rights and responsibilities of Australian citizens would be framed within the idea of a social investment state. Social spending would not be conceived simply as a passive system of insurance against life's risks but a system of positive investments so that we can all realize our individual potential and contribute fully to the development of our society.

The goal of a social investment state is to: bring each citizen to a threshold level of sufficiency in each capability (Sen); with conditions of mutual recognition\respect (Nancy Fraser). We have to be fair but we also have to have a competitive economy in global markets. Here the idea of a 'social investment state' can be the bridge to the reintegration of welfare with economic policy and in a way which resonates with Australian history and mainstream social values.

### ***An inclusive society across the life course***

Social policies should be about identifying the very different risk profiles facing citizens in the twenty first century from those which the mid twentieth century welfare had been designed to meet. As these new risks were mapped and measured, the purpose of social policy was recalibrated towards minimizing the risks and promoting opportunities so that people would be equipped to 'master transitions across the life course'. Key policy areas were human capital, financial capital and social capital with the investment framework blurring the lines between social and economic policy.

Neo-liberalism has failed as a political project because of its neglect of the social dimension. While the space has opened for a new social democrat project, it clearly cannot be a rerun of the

1970s welfare state. It will demand new understanding of the purposes of welfare and, in particular, a new integration of welfare with economic policy. Before the neoliberal period Australia's reputation as a distinctive type of social democracy rested mainly on the way wage arbitration was used to modify market wage outcomes to ensure that all workers and their families had sufficient resources to manage their own affairs.

Has the welfare function of labour market institutions become largely of historical interest? A key policy question today is what role wage policy might play in a future Australian social democracy. Does it rightly belong to a bygone age and should we look to build a welfare state proper in its place, or should we build on what remains? The award system still influences a majority of workers, if only informally, and could be strengthened to play a key role in effecting a new integration of industrial and social policies appropriate to 21<sup>st</sup> century workers.

### ***The Federation Challenge***

Historically, Australian social policy was characterized by its productivist values (stressing the preeminence of work, economic productivity and growth). This was reflected in the preference for making work and good wages the basis of welfare rather than transfers through the welfare state. First, industrial courts were meant to set wages which could afford adequate welfare for working families, while employment and industry policies were geared towards a high wage economic development path. Reliance on market forces was seen to lead to a two tier society, the top tier connected to the high wealth creating commodity export industries and the large bottom tier engaged in low paid service work. Today, one legacy of neoliberalism is our highly fragmented labour market in which the prevalence of low pay and poor conditions mean that paid work does not automatically provide a pathway to inclusion. The Federation challenge for us today would not be to leave these labour outcomes to the market and seek to compensate people with welfare. Rather it would be to forge a new compact for a competitive economy which delivered more and better jobs for all.

As a Federation, we also have the opportunities provided by high commodity export earnings:

- National business plan to move us beyond our reliance on "rocks and crops"
- Leadership role for business working with government to tackle "low skills equilibria"
- Promote high performance work practices
- Raise national training standards
- Provide research and development
- Invest in firms with high innovation potential.

### ***Flexicurity***

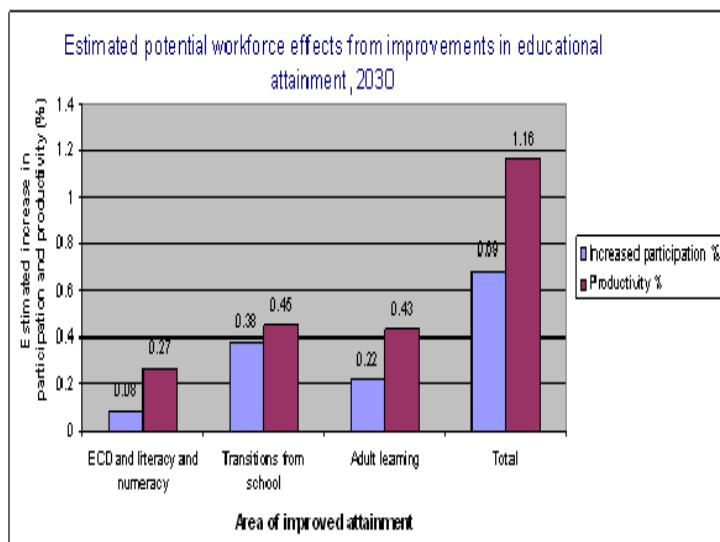
During the neoliberal period the relationship between welfare and work became narrowly conceived in terms of ending welfare dependency through a 'work first' approach. Policy makers largely failed to take into account fundamental shifts in the labour market, in particular the rise of part-time and casual work and the increasing need for flexibility both for employers and for employees.

In some European states, regulations for "flexicurity" have been growing to ensure that, on the one hand, the benefits of a more flexible labour market are not lost whilst, on the other, workers enjoy secure transitions between spheres across the life cycle. Strong measures have been taken to complement increased flexibility for business and to protect the vitality of an increasingly dynamic workforce. In particular, the 'flexicurity' countries have focused on maintaining and improving the human capital and general wellbeing of workers through:

- Active Labour Market Programs
- A generous income support system

- Lifelong learning schemes
- Work-life balance

Today, a social investment approach, rather than a punitive work first approach is required in order to facilitate smooth transitions for workers moving in and out of the labour market. For many people, these transitions are due to responsibilities and investments exogenous to the waged workplace including, for example, the world of family and care, education and training. A social investment approach is one that seeks to facilitate these transitions across the life-course and promote lifelong learning.



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# Child Deprivation in Australia: Findings and Implications for Welfare Reform

## *Peter Saunders*



**Professor Peter Saunders** was Director of the Social Policy Research Centre (SPRC) at the University of New South Wales from 1987 until 2007. A Fellow of the Australian Academy of Social Sciences, Peter has consulted for national and international organisations, including the Australian Institute of Health and Welfare, the OECD, the IMF, and the Asian Development Bank. He coordinates the Masters of Social Policy program, and leads research and development policy around partnership solutions to Australia's social problems. Research areas include Australian social policy, local governance and social inclusion, and international perspectives on social inclusion. Relevant papers: Measuring Well-being using Non-Monetary Indicators in *Family Matters* (2008) and Towards New Indicators of Disadvantage, SPRC, 2007.

### **Overview**

The focus of welfare reform in New Zealand and Australia has been on providing incentives and looking at other ways of reducing the numbers receiving payments because of unemployment, sole parenthood and disability. Rarely featured in this debate is an examination of the consequences of adopting an approach which ignores payment adequacy and its effect on those forced to experience economic deprivation and adversity. This paper draws on recent Australian research on deprivation to show that such an approach can generate important new insights into the nature, causes and consequences of poverty. In particular I will focus on the following areas:

- Application to assessing benefit adequacy
- Work, welfare and well being
- Adversity and exclusion as experienced by children and young people
- Relevance to the welfare reform debate in New Zealand (and some reflections on the August 2010 discussion paper)
- Conclusions

### **The Concept of Deprivation**

*Indicators of material deprivation have swept the social policy world as a complement, or even as an alternative, to household income as the primary measure of living standards. (Berthoud and Bryan, 2010, Economic and Social Research Institute, University of Essex)*

*Measures of material deprivation point to the importance of looking at factors that go beyond the income and earnings capacity of people, to other constituents of an acceptable standard of living. (OECD, Growing Unequal? Income Distribution and Poverty in OECD Countries. Oct 2008)*

The conceptual imperfections of using income alone to identify poverty are compounded by the practical difficulties surrounding the measurement of income. People are notoriously reluctant to provide information about their incomes in surveys and often, when they do, what is provided is incomplete or inaccurate.

These issues and problems have seen the emergence of alternative approaches that seek to locate the identification of poverty within a framework that measures living standards more directly.

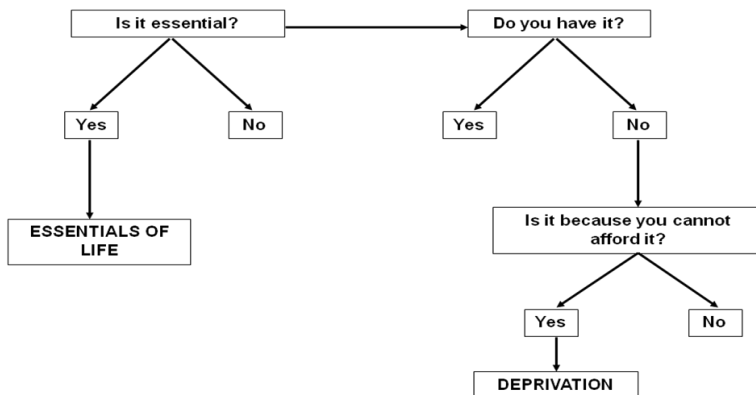
Deprivation studies proceed in 3 stages: they first identify whether each of a list of items is necessary or not, and then whether people have each item and, if they do not, whether this is because they cannot afford it or because they do not want it. Those who do not have and



cannot afford the item regarded as necessities by a majority are then identified as deprived, and the extent of deprivation can be measured by summing the number of items of which they are deprived.

### Deprivation and Living Standards

Deprivation exists when people do not have and cannot afford items that are regarded as essential or necessary by a majority in their community. This measure has been extended by MSD in New Zealand into the ELSI (Economic Living Standard Index) that includes more indicators and covers a broader spectrum than just those at the bottom. An index like ELSI allows individuals/households to be ranked on a single scale but the inter-connections between the different dimensions of disadvantage are no longer apparent. This can make it harder to develop a coordinated response.

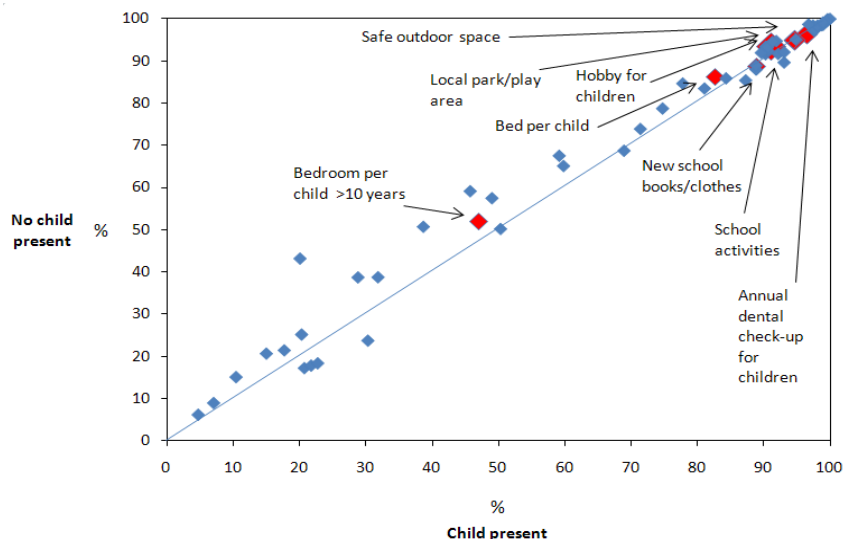


### Identifying Deprivation

The Community Understanding of Poverty and Social Inclusion (CUPSE) research was conducted in 2006 by the Social Policy Research Centre. The CUPSE survey included a series of questions about items that were likely to be regarded as essential. When identifying deprivation, research has usefully found that there is close agreement on what are considered to be basic needs for children.

The graph below shows that whether or not individuals have children living with them does not affect the degree of support expressed for items that relate specifically to the needs of children. This in turn suggests that the needs of children are universally acknowledged. The following graph from CUPSE shows this agreement.

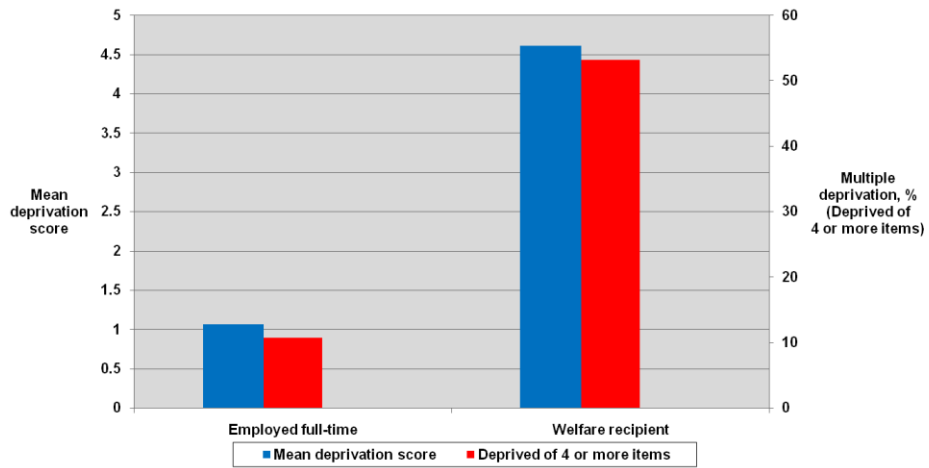
**Figure 1 CUPSE 'essentials'**



The Community Understanding of Poverty and Social Inclusion (CUPSE) was conducted in 2006 by the Social Policy Research Centre.

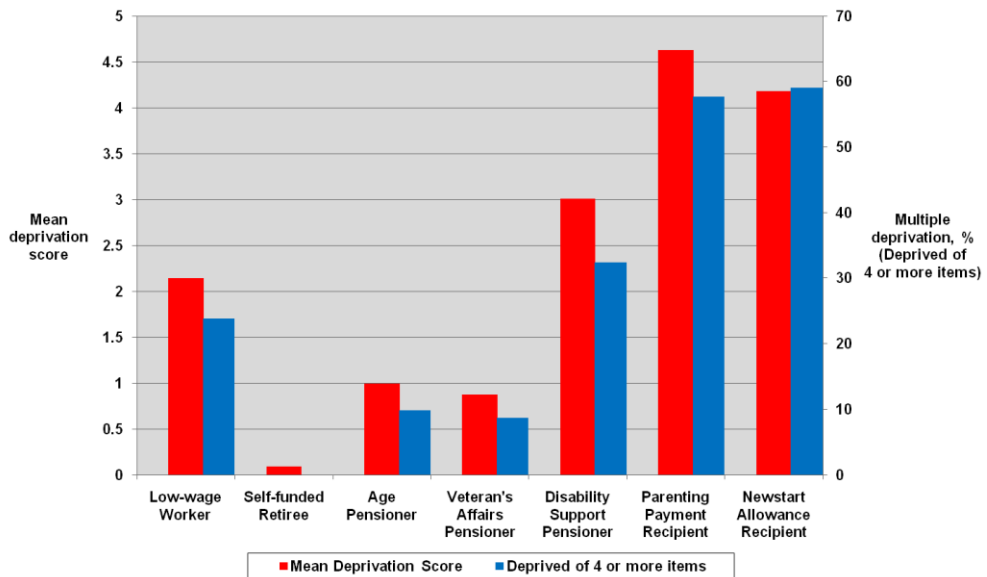
## Deprivation and Employment/Welfare Status

Figure 2



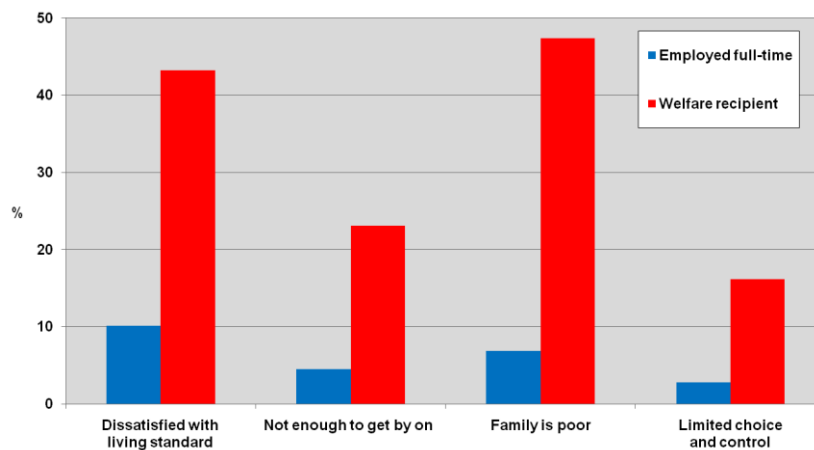
## Using Deprivation to Assess Income Adequacy

Figure 3



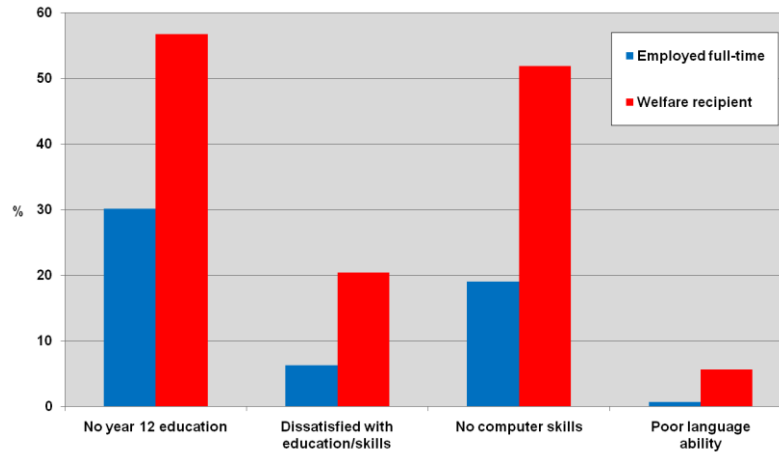
## Employment/Welfare Status and Well-Being (I)

Figure 4



## Employment/Welfare Status and Well-Being (II)

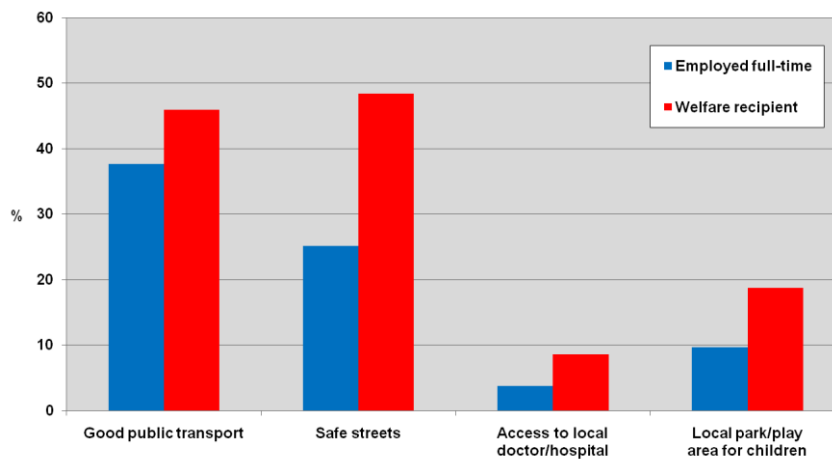
Figure 5



The deprivation approach generates robust and credible results. These results shed new light on the nature of social disadvantage, benefit adequacy and the impact of welfare dependence. There is no evidence that those receiving welfare benefits are anything other than dissatisfied with their situation.

## Employment/Welfare Status and Well-Being (III) (percentage lacking each item)

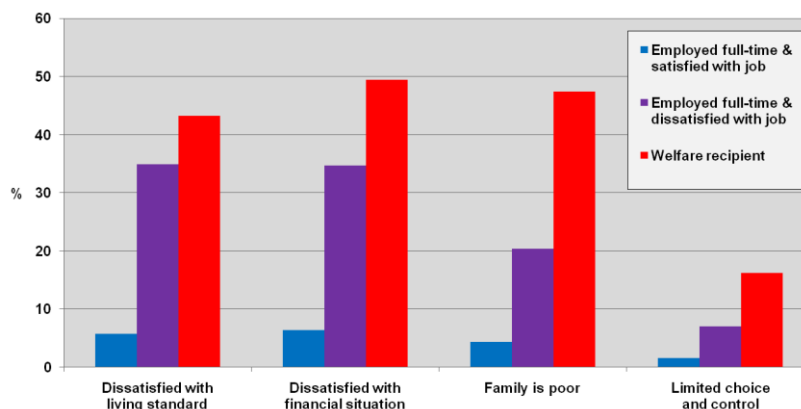
Figure 6



### Caution - Not All Jobs Are Good!

Welfare recipients often lack the skills needed to be competitive in the labour market....and often live in areas that lack adequate infrastructure and services. Changes to the benefit system by themselves have limited capacity to overcome the many barriers that prevent those on welfare from accessing a job. Not all jobs have beneficial effects on well-being: 'bad jobs' look more like welfare than 'good jobs'.

Figure 7



## ***Talking to Children and Young People***

Qualitative interviews with young people (11-17 years) facing economic adversity and living in disadvantaged neighbourhoods included examining the dynamics of adversity and inclusion/exclusion within peer, neighbourhood and schooling communities. Many young people interviewed live in diverse, complex and fluid families; and receive money from a variety of sources within and external to the household they live in (e.g. from relatives).

School and neighborhood structures impact on young people's aspirations and opportunities. Many young people lack clear goals and realistic pathways to the labour market.

When asked what needed to be done, young people highlighted the need for improved community facilities over more income (although lack of income often constrained their educational options).

## ***Some Principles of Welfare Reform***

The key objectives of the welfare system are to ensure adequacy of support for those in need, efficiency in order to minimize disincentives to work (and save) and financial sustainability ("The Challenging Triangle" identified in the OECD Making Work Pay initiative).

Political sustainability is another important objective in countries like Australia and New Zealand because social security benefits are means-tested and funded (from general revenue) by taxpayers. Reforms that promote work (may) perform well on incentive and financial cost grounds, but (are likely to) perform poorly in terms of adequacy and political sustainability. Ignoring adequacy as an objective does not mean that the impact of reform on adequacy can be ignored (e.g. effects on benefit churning and political sustainability).

## ***The Current Situation in New Zealand***

At present in New Zealand, those in receipt of benefits (that are not work-focused benefits) for 12 months usually stay in that situation for around 4 years (Discussion Paper, Figure 4.4). But this does not automatically imply that work-testing these benefits will solve the problem (because benefit type reflects other factors). It does suggest that the savings achieved when someone shifts from welfare to work are substantial (but it is important to avoid exacerbating disincentives). However, the investment needed to raise human capital to a level that meets the demands of the labour market and generates a living wage is also very high.

## ***Welfare to Work in Theory***

Incentives do matter – people adjust their behaviour to take advantage of perceived benefits when they can. The welfare system is not immune from this, but we know much less about the size of these effects than we do about the incentive structures that give rise to them. Even when benefits are adequate, long-term benefit dependency has detrimental effects on individuals and their families. Such dependency leads to an erosion of skills and motivation that need to be addressed as part of the policy response.

The capacity of the welfare system alone to address long-term dependency is limited: labour market reform, neighbourhood renewal and attitudinal change are also required. Successful reform is expensive and its effects will take time. For children in particular, welfare reform must focus on outcomes, not just on employment status: (paid) work is not a panacea.

## ***Welfare to Work in Practice***

Welfare to Work policies can be either:

- (1) Punitive (benefit cuts; sanctions; greater administrative surveillance; increased policing of gateways)
- (2) Facilitative (job-focused case management and counseling; personalised information and advice)
- (3) Pro-active (labour market reform, in-work benefits and changes to the minimum wage)

The capacities and needs of groups are different and to be effective, reform must respond to these differences. It must address the specific barriers facing current long-term benefit recipients and be desirable from a child's perspective. A "back to work" bonus for existing long-term recipients could address existing long-term dependency in a cost-effective way. Early intervention strategies are required for new entrants, differentiated by their capacities.

### ***In Conclusion***

The deprivation approach generates robust results that can inform policy on not just adequacy but also on work incentive issues. Efforts to reduce long-term benefit dependency are needed, but they must build on the realities that exist. They will need to be tailored to meet the job-related capacities and needs of different groups. Also improving incentives to work may be necessary, but will not by themselves be sufficient to guarantee success as they will be costly and success will take time.

Not all jobs are good jobs. Reform of the labour market and wage systems are an important and necessary complement to successful welfare reform.

A final question: ***What would good welfare reform look like from a child's perspective?***

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# Listening to sole parents – lessons from Australia’s ‘welfare to work’ reforms

*Eve Bodsworth*



**Eve Bodsworth**, Researcher, Brotherhood of St Laurence, Melbourne, is currently completing her doctoral thesis at Deakin University on single mothers’ experiences of Australia’s welfare-to-work reform. Her latest research examined the context in which low income people make decisions regarding paid work and income support receipt, informing part of the Brotherhood’s Taxation campaign. Eve has recently served as a member of an Australian Commonwealth Government Legislative Review Panel, examining the operation of a number of family payment and welfare policies. Eve is a lawyer who previously worked in family law, family violence law and commercial litigation, and she continues to provide volunteer advice at the Victorian Women’s Legal Service. Relevant paper: [Making Work Pay](#)

## **Lessons from the Australian ‘welfare to work’ reforms**

In December 2005 the conservative Federal Government led by John Howard in Australia introduced the Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005. Like the currently proposed Future Focus amendments, this act introduced compulsory work requirements of 30 hours paid work per fortnight for sole parents receiving the Parenting Payment (our version of the Domestic Purposes Benefit DPB) once their youngest child turned six (Harding 2005). The Australian welfare to work reform went another step further and also moved sole parents off the Parenting Payment onto the lower Newstart Allowance payment (general unemployment benefit) when their youngest child turned eight.

The arguments advanced in support of the welfare to work policy at the time of its introduction were located in discussions about Australia’s ageing population and the need to increase the labour market participation of women, but were also premised upon normative assumptions regarding the value of work for encouraging self reliance and removing the so called ‘welfare dependency’ of income support recipients. The policy has been amended slightly since the Labor government came to power in 2007 but the backbone of the policy remains intact and recent comments by the current Prime Minister Julia Gillard and Minister for Families and Community Services indicate a similar support for a ‘work first’ approach to ending so called ‘welfare dependency’. This emphasis on the centrality of ‘work’ is pictorially represented above. The words drawn from the current Australian Prime Minister Julia Gillard’s recent election campaign launch speech, the larger the word, the greater the number of repetitions. While the basic framework and intent of the welfare to work policy has remained much the same since its introduction, there have been some recent changes to the operation of the policy (into effect 1 July 2010) allowing some greater flexibility for sole parents. These changes will be discussed further below.



The remainder of my presentation is based upon a research project I conducted for the Brotherhood of St Laurence, which has been published under the title ‘Making Work Pay’. I firstly provide some context regarding this situation of sole parents in Australia and then outline the details of the operation of the Australian welfare to work policy. I then provide some of the findings from the Making Work Pay research, and introduce you to some of the single mothers who participated in the study (all names have been changed) through providing you with some of the women’s experiences and observations, using their own words, regarding the welfare to

work policy . I then discuss some very recent policy changes made in Australia and pose some questions which might inform the creation of better policies aimed at working with sole parents.

### ***Sole parents in Australia***

Around 87% of Australian sole parents are women, the majority of whom are middle aged and have previously been married or in a de facto relationship with their children’s father. At the time the welfare to work policy was introduced around 45% of sole parents were already engaged in some form of paid work (Australian Council of Social Services 2005), many more were involved in further study or training. Those sole parents not looking for work, or unable to find work were more likely to face numerous barriers to labour market participation including mental illness, lower levels of educational attainment, recent experiences of physical and sexual violence and other major life disruptions (Australian Council of Social Services 2005). However, these facts were ignored and the ‘problem’ of sole parents’ lack of ‘participation’ was constructed as the result of dependency on the income support system.

### ***Welfare to work in Australia***

Prior to the introduction of welfare to work in July 2006, all sole parents who met the income and asset requirements were eligible for the Parenting Payment Single until their youngest child turned 16. There were no compulsory participation or work requirements; although since 2003 sole parents in receipt of the Parenting Payment had been required to engage in around 6 hours per week of paid work, job search, education or voluntary work. The introduction of the welfare to work reforms had two major effects. Firstly, sole parents are now required to engage in 30 hours of paid work per fortnight once their youngest child turns 6, or engage in prescribed job search activities. Failure to comply with participation requirements can result in sanctions including a temporary hold on income support payments – although this requires multiple failures and very recently Centrelink staff have been allowed greater discretion in applying sanctions. Secondly, when their youngest child turns 8 all single parents are moved from the relatively generous Parenting Payment onto Newstart Allowance (the general unemployment benefit previously only for single unemployed people) (see Table 1 below). Not only does Newstart Allowance offer a lower base payment (albeit slightly higher for sole parents than for single unemployed people), but the amount of income recipients can earn before their payments are reduced is significantly lower and this reduction occurs at a higher rate.

**Table 1 Welfare to work changes for sole parents**

	<b>Parenting Payment Single</b> as at 1 July 2010 (Centrelink 2010)	<b>Newstart Allowance (Principal Carer)*</b>
Eligibility	Sole parents with children aged 0 – 8	Sole parents whose youngest child has turned 8.
Work/participation requirements	Youngest child aged 0-6: none Youngest child 6-8: 30 hours/fortnight	30 hours/fortnight
Amount of Base Payment (AUD)	\$601.30 (inc. Pension supplement of \$19.90)	\$500.70
Threshold (amount that can be earned before payment is reduced (per fortnight))	\$170.60 (+ \$24.60 for each additional child)	\$62
Withdrawal (abatment) rate for each \$ of private income above this threshold	40% (40 cents in the dollar)	50% between \$62-\$250 60% over \$250.
Amount of private income at which income support cuts out (per fortnight)	\$1673.85 (+ \$24.60 for each additional child)	\$927.84

Paradoxically, the change of payments actually acts as a disincentive to work because of increased Effective Marginal Tax Rates created by the higher withdrawal rate and the lower earnings threshold. Summerfield et al. (2010) thus argued that the Australian reforms therefore



'economically penalize those women whom the Welfare to Work reforms are purportedly trying to assist into the workforce'. While the employment participation requirements of Newstart Allowance may provide the necessary stick, the carrot of improved financial circumstances has been removed. In combination, the reforms reflect a punitive approach to welfare provision.

### ***Evidence from the Making Work Pay project***

The impetus for the Making Work Pay project originated from a desire to provide some richer, qualitative information around the work decisions of income support recipients.

While research by economists is important in illustrating the economic effects of tax and transfer policies and the effect of Effective Marginal Tax Rates, such research tends to assume that income support recipients are rational economic actors, and therefore 'behave' only in such a way to maximise their income.



In contrast, the Making Work Pay project sought to talk to low income Australians about their actual experiences on income support, and to investigate how they made choices about paid work and the context in which these decisions were made. The study involved a range of income support recipients, twenty-two of whom were sole parents. I will be focussing only on the results regarding sole parents in my presentation today.

### ***Paid work: incentives, disincentives and costs***

Firstly, the financial impact of taking on work was important to most of the participants, and most had made some sort of calculation in this regard, however this was never their only consideration. The sole parent participants wanted to make sure that paid work was going to be 'worthwhile'. This assessment involved weighing up the financial benefits of work with costs including loss of income support and concessions, costs of travel and of child care and other non-economic 'costs' including time away from children and the impact of work on their physical and mental health.

Participants also wanted their families to be 'better off' or to be able to 'get ahead' through paid work, and often felt that this was difficult to achieve, when all costs were considered. Many of the sole parents in the study were combining part-time paid work with income support receipt and they described having done specific calculations, particularly in relation to the optimal number of hours of paid work, when deciding to take on their current jobs in order to maximise their combined paid work and welfare incomes.

Yasemin, had been working part-time (22.8 hours per week) in the office at her son's primary school in fulfilment of her work requirements. She had recently been asked by the school's principal if she could increase her hours to full-time. Yasemin had refused the additional hours and as a consequence was being moved to a different role as a teacher's support worker in the classroom:

*...if they increase my hours, I'll lose all my benefits, which I don't want to lose—[so] he has decided to move me into the classrooms [as a teacher's assistant]...*

*If I worked more hours, then ... I lose my Health Care Card, and then I have to pay for my children's school fees, and then I have to pay for my medication and then I pay more on my [car] registration, and then I pay more on my bills, and it works out easier, in my advantage, that I work less hours. And then on top of that, let's put that aside, I have the children to*

*worry about in the school holidays.* (Yasemin, divorced single mother with two children. Parenting Payment single. Working part time at son's primary school)

For most of the single parents interviewed, it was also important for them to maintain their eligibility for income support while engaging in part-time work, at least for the short to medium term. This provided a sense of security for the sole parents, many of whom had previous experiences of struggling to cover basic expenses, and were often not receiving any financial support from their children's other parent.

### ***Increased costs of paid work***

For many single mothers, returning to work or increasing hours of paid work not only reduced their income support payments but increased other costs including child care, transport and petrol in travelling to and from work, and costs related to increased use of convenience foods like take away. The sole parents in the study reasonably felt that the financial rewards from working ought to meet these additional costs and provide for tangible extra benefits for the family.

### ***Non-financial benefits of work***

Despite the limited financial benefits of returning to work for many of the sole parents, most of the participants considered there to be many non-financial reasons to remain in or enter paid work. Work provided a forum to socialise with other adults, make friends and have time away from their children. This was particularly significant for the large number of single mothers interviewed whose children did not spend any time with their fathers.

*I wanted something new, something you know, upbeat, do you know what I mean? I wanted to dress up and feel good about my life, be able to put something smart on, be somewhere nice to work and smell good and then I go back to my life [laughs]. I can be somebody else for two days and then I go back to the hard work. Actually, working is actually a day off. ... initially I thought 'Why am I working all this for only \$100 extra?' but I actually did it for respite, for time out, not necessarily the money.* (Danielle 40-year-old single mother of two children, 13 and 9. Works as a receptionist 15 hours a week)

Danielle's son had special needs due to a chronic medical condition and she had experienced serious family violence at the hands of her former husband. She was making mortgage repayments on her own home and working as a receptionist in a medical office two days a week. It should be noted that not all parents were as fortunate as Danielle to find work in their area of previous experience, with supportive employers. Some of the sole parents I spoke with in relation to my PhD study were less enthusiastic about their manual jobs as cleaners and workers in hospitality and take-away food outlets, particularly those parents in their 50s and facing health problems, although often these mothers also cited enjoying the social elements of work and boosted confidence they felt in returning to work.

Further, although the majority of participants spoke positively about paid work, a number of participants spoke about the need for balance. Many sole parents spoke of other productive but unpaid activities they were or had been involved in, both formal and informal. Some had given up volunteer and community work, often with their children's schools or local community organisations, in order to meet their paid work obligations (for more information regarding the impact of welfare to work on sole parents' volunteer activities, see Cook, Ward et al. 2009). They valued and enjoyed this unpaid work but felt that it was not equally valued by Centrelink's narrow definition of 'participation'.

*[The government should look at] broadening the areas of participation, particularly for single mothers who, I feel, are incredibly exploited in many regards... So often my house used to be one where lots of children of working mothers would come. I mean, who's left in the villages*

*when everyone gets sucked out to work, you know? (ZOE (NSA – PC) 48-year-old divorced single mother of three children aged 17, 15 and 9. Zoe was working part-time in retail, and did not want more hours. She lived in a town in the urban rural fringe and owned her home outright).*

In their similar research, Cook and colleagues (2009: p. 5) found that with respect to citizenship, women moving from volunteer work into work condoned by Centrelink were actually giving up:

*active citizenship roles to become passive consumers of a welfare policy which demands them to take up jobs which they do not want and do not feel make as valuable contribution to society... while these jobs may fulfill a definition of active citizenship by which people are defined as fulfilling the rights and responsibilities of citizenship only when they are engaged in paid work, it obscures the reality that these women are being moved down the ladder of citizenship participation.*

### **Preferred type of work**

In addition to income, the *type* of work was important for many participants when making decisions regarding paid work. The sole parents who had previously held skilled or semi-skilled positions held a strong desire to find paid work which utilised their existing skills and experience in some way. Others who had been away from the workforce for a long time, or had never worked, felt that they needed skills and training to be able to find decent work. These participants all resented the perceived emphasis placed by employment service providers on taking any work as quickly as possible to fulfil their participation requirements and felt they were under a great deal of pressure while job searching to accept any job.

*I have 20 years work experience [in human resource management] that I would like to give to the community, not just take or be pressured into taking some short-term job that's not going to work financially for me, short-term or long-term. And they are not excuses, I want [Centrelink] to think of all of that and help me find a job ... I've asked them if I can see a career counselor and get some assistance... The last time I spoke to them, they said it's really only in terms of [skills] shortages, which is security [guard work] and child care and aged care. (Katrina (PPS) 45-year-old single mother of one child aged 6. She had previously held a job as a marketing manager in financial services and was looking for work. She lived in private rental accommodation.)*

In addition to the type of work, the hours of work were very important for the sole parent participants. Other sole parents had given up on finding permanent part-time work in their preferred field and had widened their searches to include lower-paid, lower-skilled casual jobs in order to have access to what they saw as flexible conditions, in particular shifts which allowed them to pick up or drop off their children at school.

### **Work, family and welfare compliance collision**

The sole parents in the study also faced particular difficulties in managing the competing requirements of work, welfare compliance and care of their children. These challenges varied according to the children's ages and complications related to former partners and family breakdown. For many, the accessibility and flexibility of child care was an issue.



### **Care of children**

Some of the participants with pre-school aged children (not yet required to engage in paid work) had attempted paid work, but had been unable combine their jobs and care for their children. Katrina had attempted to return to work full-time in marketing after separating from her son's

father, but had been advised by a child psychologist to remove her son from childcare in the context of a high conflict Family Court dispute around contact arrangements, and the impact this was having on her son. During this time Katrina's employers would not allow her to work part-time so she ultimately resigned to stay home with her son and to prepare him for school.

The sole parents with school aged children described juggling work hours with the hours of school and before and after school care. A number of parents expressed frustration at the hours of before and after-school care, and struggled to pick up children by closing time at 6 pm. Many had difficulty fitting their work into the hours of available child care, particularly if they could not rely on friends or family members to pick up or drop off their children:

*I was paying child care before school and I can't get there by quarter past three, so I was paying after [care] and it's like costing me \$200 a fortnight. ...I tried to explain to everybody, even my previous employer, 'You can't have me working stupid hours that it's going to cost me more to drive to work and to pay for child care than [you pay] me to come here'. I might as well just go on concession, but I'm not like that... So now I just drop them off a little bit early...I take the risk for 10 minutes because there's no teachers on for 10 minutes. (Linda, 38 year old, divorced single mother of two. Working part-time in retail, wants full-time work)*

Care for older children also posed a problem for many parents. Children in grade six often refused to attend before and after-school care, perceiving it to be for 'little kids' but their parents were concerned that they were too young to spend long periods at home unsupervised. Some parents felt it would be preferable that the work requirements commence when their youngest child reaches high school. However, there is no after school care available in Australia for 12 and 13-year-old high school children, yet a number of parents expressed concern about whether their particular 12 and 13 year olds were mature enough to travel to and from school alone and spend significant time at home unsupervised. While they generally felt that they had no choice but to allow their children to look after themselves, this often caused anxiety about their child's wellbeing while they were at work.

### **School holidays and sick children**

School holidays and sick children also provided significant stress for sole parents engaged in paid work. Most single parents also described difficulty when their children were sick. Those eligible for sick leave used it up to stay home with sick children, so that when they were sick themselves they had no choice but to work. On the other hand casual workers who had to stay home with sick children were just not paid for the missed shift. Others felt pressure from employers not to take too much time off work.

*...at times it's almost a thing of deciding if your child or your job is more important because in this day and age you can't muck around with employers and a lot of employers aren't sympathetic to having children and it's a case of, if you take too much time off work you are putting your work in jeopardy. So then you put pressure on the child to go to school, to be well, 'Are you sure you're not well?' (Colleen, 47 year old single mother with 9 year old daughter; works 2 days per week in legal administration. Parenting Payment single.)*

Further, while sole parents working in casual jobs could choose not to accept shifts during school holidays so as to have time to look after their children, this often put them in breach of their participation requirements, particularly during long summer holidays. Until recently, parents who worked casually in the school system, such as office workers, teachers' aides and relief teachers were required to engage in job search activities over the long summer school holiday, even if they had jobs to return to when school term recommenced.

While older children were generally considered able to take care of their own basic needs, parents were concerned about leaving them unsupervised for long periods for fear that they

would fall under the influence of a 'bad crowd' of peers. Others had teenagers with mental health issues and learning problems and felt a need to 'be there' to ensure they attended school and to help with homework.

### **Particular impacts of welfare to work policy**

#### **Reduced payment**

A number of participants felt very strongly about the changes to income support payments for single mothers which had occurred under the 'welfare to work' reform (many of the other participants had not been affected by the changes to payments because they had been on the system prior to the introduction of welfare to work). Several participants with children over the age of six had become single since 2006, and therefore were eligible only for the lower Newstart Allowance (principal carer). While most single parents in the study saw value in paid work, they felt strongly that there was no reasonable justification for the welfare to work changes which reduced payments to sole parents in moving them from Parenting Payment onto Newstart Allowance. These parents felt strongly that Newstart Allowance was not the right payment for them and their status as single parents ought to be recognized:

*The irony is, the bigger your children get, the more expensive their shoes are—you know. Please don't drop the amount I get given, because as they get older the costs are greater... All of a sudden you are dropped to Newstart, because you are 'long-term unemployed' and you are no longer 'parenting', and you are not a parent anymore, you are a 'job seeker' and you have to line up in the 'job seeker' queues. But I'm not a job seeker—I've got a job. Of course I want to contribute to my financial autonomy, but I want to work out what works the best. (Zoe, 48 year old single mother, 3 kids, 16, 15 and 9. Working part-time in retail.)*

*I'm considered to be a job seeker even though I have a job. I'm still classed as a job seeker for Newstart. I'm not making a 'new start'. I'm in my permanent life style as a single mother. (Esther, 51 year old single mother of 2 daughters 16 and 9, working part-time as disability support worker.)*

#### **Rigid time requirements**

Many of the sole mothers also felt that the rigid requirement of 30 hours of paid work created difficulties, even though they wanted to work, and for the most part were already working. For example Danielle was working two days a week as a receptionist in a job which officially involved 14.5 hours of paid work each week. She was unable to start work earlier or finish later due to the hours of child care available for her son. Her employer could not allow her to take a shorter lunch break due to occupational health and safety regulations. Not wanting to work another whole day to make up the hour shortfall each fortnight, she explained her predicament to her employer who agreed to tell Centrelink that she commenced work half an hour earlier on one day. Danielle was extremely grateful to her employer, but was always worried that Centrelink would work out that her hours did not strictly match her fortnightly pay.

Colleen had left her previous casual work at a charity, as it did not guarantee 30 hours a fortnight although over a longer period of time she averaged the same number of hours. Colleen had ultimately left this role, which she enjoyed, for a lower paid job with more regular hours.

*I really loved the job, really liked the people, they couldn't give me the 15 hours a week on a consistent basis. I could do 15 hours, 15 hours, 8 hours, 24 hours, it was like that sort of, so I didn't meet my criteria. So I had to resign from that job. I mean what I did was I looked for another job while I was working there, knowing that I was just going to end up, because my concern is that if I don't find my job, they [Centrelink] will find me a job. (Colleen, 47 year old single mother, 9 year old daughter. Working part-time (2 days per week) in legal administration. Parenting Payment single)*

Participants felt that the requirement of 30 hours per fortnight should be more flexible, and was too rigidly enforced, preventing parents from taking up good but irregular work. As part of our recommendations, we suggest that sole parents could be allowed to 'bank' hours of paid work in excess of 30 hours a fortnight. This would allow them to increase their hours during certain times, such as filling in for other co-workers on leave or during busy periods, and to work fewer hours during other times such as school holidays if approved by their employer. We also proposed that hours of work could be calculated across a longer time period, rather than fortnightly.

The sole parents participating in the study also felt strongly about the need for flexibility and understanding from Centrelink in allowing them to combine their paid work and care work. They felt that the impact of the breakdown of a marriage or domestic relationship (which is the pathway into single motherhood for most single mothers) should be taken into account by Centrelink and that sole mothers required time without the pressures of job searching to enable them to adjust and take care of their children's needs during such time.

### ***A better way?***

The Making Work Pay report concluded that Australia's current system inadequately recognises the care responsibilities and obligations of sole parents, who are forced to manage care for their children around the demands of paid work and the inflexible requirements of the income support system. More broadly we found that Australia's income support system remains grounded in a false assumption that a labour market effectively offers people a choice between unemployment and a full-time job. In reality, income support recipients are forced to bear the risks of an insecure and casualised labour market whilst also navigating complex and rigid welfare requirements.

The key recommendations of the Making Work Pay report for sole parents involved provision of greater flexibility, security for sole parents, and enabling sole parents to remain on the Parenting Payment, rather than being pushed onto NewStart Allowance. We argued that all sole parents should be better off financially in paid work. We also advocated for employment services to work *with* job seeking sole parents towards their longer term goals and aspirations, even if that meant a greater focus on education and training in the short term.

### ***Recent changes to welfare to work in Australia***

The Australian Government recently recognised this need for greater flexibility, and introduced a range of new measures aimed at providing more flexible arrangements for parents and principal carers, partly in response to the findings of the Participation Review Taskforce (Participation Review Taskforce 2008). The government has also expanded the activities that individuals can engage in to meet their participation requirements.

Key changes include:

- Parents can now meet participation requirements through a combination of part-time study, part-time work and part-time study, part-time work and approved volunteer work (previously only full-time study was allowed).
- No job searching for employees whose employer shuts over long school holiday (even if casual).
- Exemptions for foster carers, large families (4+ children), kinship care and those caring for a child with a disability or illness which does not qualify income support recipient for a carers pension (up to 12 months exemption from participation requirements).
- Exemptions for parents who have experienced domestic violence in the previous 26 weeks (up to 16 weeks at a time).
- Exemptions for those suffering "higher than usual stress as the result of family breakdown".

- Extension of online and phone reporting (previously fortnightly face to face reporting for anyone who was not in permanent work which fulfilled the 30 hour requirement. Regarded as punitive by many sole parents) (Centrelink 2010).

It is likely that many sole parents will continue to feel pressured by their employment service providers to accept any work, regardless of its suitability, and many will remain unaware of the range of exemptions available or the criteria under which they are entitled to refuse a job offer (ie, doesn't cover childcare costs, must leave them at least \$50 better off per fortnight, inappropriate hours). I have spoken to sole parents who, prior to these changes were working early morning and evening shifts which don't fit with formal childcare hours, simply to avoid the harassment they experienced when they didn't have a job.

### ***Key questions for a better future?***

So, what can be learned for the Australian experience? Firstly, Australian sole parents are very aware of the barriers and constraints they face on a daily basis. The women in our study were making sensible, realistic and economically responsible decisions regarding paid work and their children's wellbeing – and these decisions were made more difficult by the complexity of the income support system. Secondly, the 'one size fits all' policy approach didn't really fit anyone, most of the parents spoke of wanting their individual circumstances to be acknowledged by 'the system' and for Centrelink and employment services workers to work *with* them, rather than against them.

I have put together the following questions which I think ought to be asked in the implementation of a work oriented welfare policy, and which reflect the issues raised by sole parents subject to a similar policy in Australia:

#### ***Labour market***

- Are there jobs available where sole parents live?
  - What kinds of jobs?
- Can sole parents access or negotiate (both formally and substantially) flexible, part-time employment?
  - Are there ways that this can be facilitated?
- Is quality, permanent part-time work available or will sole parents be forced into low-paid casual work?
- Does the system provide sufficient security for income support recipients who engage in casual or temporary work to move on and off income support without penalty or delay?

#### ***Employment support***

- Will employment services offer long-term planning and advice to work with sole parents towards their own goals and aspirations, or will they be limited to narrow 'job search training'?
- Will there be encouragement and support for sole parents to engage in affordable education and training?
- Will there be support and access to services for sole parents who face particular barriers to return to work, including mental health issues, drug and alcohol issues and for older sole parents who have been caring for children for many years?
- US research shows that the most disadvantaged sole parents are the most likely to be subject to sanctions and not to succeed in the labour market, but there is no data on this in Australia (Cortis and Meagher 2009).

#### ***Financial incentives***

- How does the structure of the DPB payment provide financial incentives or disincentives to work?

- Increase the abatement free threshold? Reduce abatement rates. In work tax credits? How do other policies combine to create disincentives through high EMTRs (ie withdrawal of child care rebates, housing payments) and how can these be ameliorated?
- Are all sole parents who move into work better off financially, after all additional costs are taken into account?
- Does the basic benefit level allow sole parents and their children to escape poverty and have a decent standard of living

### **Flexibility**

- Can parents combine paid work, education and training and volunteer work (including involvement in schools and local community) in a way that best suits their family circumstances?
- Do the participation requirements allow for flexibility for casual workers?
- Can casual workers accrue hours of paid work over a longer period of time than fortnightly?
- Can casual workers take time off, in recognition that they do not have access to paid leave?
- Can parents 'bank' additional hours worked, to allow for time off when it suits them?
- Does the welfare system recognize and allow for flexibility around the changing needs of children, allowing parents to take time away from participation activities to address children's physical health, behavioural and/or emotional needs that don't fit more formal 'exemption' rules, including older teenaged children?
- Does the system offer flexibility around school holidays, such as allowing casual workers to refuse shifts during this time (recognizing their lack of access to unpaid leave) and permanent employees to take unpaid leave?
- Does the system offer flexible reporting (phone, internet) rather than face to face reporting?

### **Recognition and respect**

- Do welfare agencies and staff recognize that sole parents are parents, and have unpaid care responsibilities raising their children, often with little assistance?
- Is there recognition that running a household on a very low income is unpaid work that is often more time consuming than for higher income households?
- Are exemptions available for all newly single sole parents who have experienced recent family breakdown (recognizing this as a major life event); for parents dealing with family violence and high conflict around child contact and Family Law disputes, without requiring overly intrusive 're-telling'?

### **Childcare**

- Can all sole parents access quality, low cost childcare and before and after school care?
- Can all sole parents access affordable and good quality school holiday?

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## Reflections: the morning's contributions and the local context

### *Mike O'Brien*



**Mike O'Brien**, Associate Professor in Social Policy and Social Work at Massey University's Albany campus, is the coordinator of the social policy programme. His research interests include child poverty, welfare reform, welfare state change and social services provision.

### **Overview**

This is a brief overview of the morning's work. I had the opportunity to read some of the material before we met but the presentations themselves add to that significantly.

The three presentations this morning bring together three quite different dimensions of the welfare debates, not just in content, but also in method and approach. Paul Smyth has taken us to the heart of what are the fundamentals, namely considerations of values, philosophy and ethics. Peter Saunders might describe himself as focusing on the nuts and bolts, but that underestimates what has been a fundamental exploration of core components of welfare reform, namely identifying effective measures of poverty and the links to disadvantage and their implications for individuals and families. The third contribution from Eve Bodsworth drew thoughtfully on her qualitative work around the lives and experiences of sole parents and the policies and programmes which impact so significantly on their daily lives. The strength of her work which gathers up the realities and rawness of those daily lives provides a significant third part of the methodological and policy triangle that is so integral to all of welfare reform.

There are a number of significant issues which this morning's work raises as we work with welfare reform over this forum and beyond. One of the first of these is around the nature of 'dependency', a term that is central to the current discussions. The term has been given a very limited and specific meaning in the context of the work of the Welfare Working Group where it is defined as being in receipt of a benefit for more than six months. Defining it in this way creates the debate in a particular frame. 'Dependency' is a part of the human condition, not a result of our relationship to paid work. All attending this conference are dependent on a number of others for safe arrival today and for the conference programme being put together. All of us in different ways are dependent on others for various personal, social and emotional needs, at some parts of our lives, sometimes much more so than others. There is a great myth of independence and it is critical to the welfare debates that we give dependence its wide meaning and challenge the pejorative and judgemental way in which the term is used to mean that dependence = failure and inadequacy.

There have been important discussions identified around issues of values as fundamental to both the nature of welfare and welfare reform and welfare reform is very much about the kind of society we are building and the values that inform that. The references this morning to the work of the 1972 Royal Commission on Social Security and its emphasis on belonging and participation as fundamental to social security and benefit levels remains a critical part of those values. Beneficiaries are citizens and a good welfare system looks to manage ways to advance the inclusion of all citizens and looks to build capacities and capabilities. Welfare is about wellbeing and that is central.

An important dimension of welfare reform revolves around work and jobs. The narrow focus on movement from 'welfare to work' ignores fundamental questions about the availability of work, the quality of work and extent to which paid work is either possible or manageable. Distinctions have been made between what have been called 'good jobs' and 'bad jobs' and the distinction is critical because for many beneficiaries the jobs to which they are being directed are clearly 'bad

jobs' with poor working conditions and little, if any, security. Significant, substantial and sustained long-term financial and human investment will be needed for many of those currently receiving a benefit if they are going to be able to secure and retain jobs in what is a very different employment context from that of the 1970s. There has been some reference to flexicurity, that mixture of flexibility and security which has been widely discussed in the European context particularly. Flexibility will be needed from employers if the needs of those with significant health issues and family requirements are to be properly met in welfare reform.

That leads into one other fundamental dimension of the discussion around work: the narrow definition given to what constitutes 'work'. 'Work' has become synonymous with what we are paid for and in that definition fundamental and essential social activities of work, called caring, become disqualified as being something less than work. Caring for children and/or for sick family members constitutes some of the most important 'work' to be done in any society, yet the current debates implicitly denigrate that work. Anyone who has had responsibility for dependent children knows how serious, significant and demanding that work is.

As has been indicated already, welfare reform takes on many different hues, with consequently different outcomes. In his slides which he skipped across, Peter Saunders drew a distinction between punitive, facilitative and proactive approaches to the reshaping of welfare. There is little doubt of the punitive nature of the current approach to welfare reform. The approach matters because of the ways in which it reflects and interacts with the values discussed this morning.

A fundamental dimension of welfare reform has to be income adequacy, a subject which has received little attention and, importantly, is outside the terms of reference of the Welfare Working Group. As has been noted this morning it is not possible to properly consider welfare reform with attention to the adequacy of benefit levels. We have had a very interesting and useful discussion this morning about disadvantage and deprivation and the dimensions of that, reflected also in the ELSI work from the MSD. Notwithstanding that work, it is important to remind ourselves (and others) of a very simple, basic truism, namely money matters. The strengths of deprivation measures takes us a long way ahead in the work on poverty and living standards, but nobody working in the area would suggest that this negates the importance of all families and individuals having sufficient money. It is poverty, not dependency, which matters.

The final dimension as I reflect on this morning's work is to pick up a comment that was made almost in passing. It revolves around the position of children. There has been a lot of attention to and discussion of beneficiaries and work requirements, but what would be the result of welfare reform if we turned the process upside down and started from a question which said something like: what form would welfare reform take if we put children at the centre, if we began by asking how can welfare reform occur so that the position and needs of all children, especially the most deprived and disadvantaged are the central consideration. That has to be focused on what children need *now*, not on investment in their futures. Welfare reform can advance and improve the position of children but will not do so unless they are at the centre of the reform.

## General labour market picture in New Zealand *Paul Callister*



**Dr Paul Callister** is an economist at the Institute of Policy Studies, Victoria University of Wellington. Over the last two decades, Paul has undertaken research for a wide range of public and private sector organisations, addressing local, national, and cross-national issues. In 2001-2002 he was a Visiting Research Fellow at Cornell University, Ithaca, New York. His recent research has focused on the changing distribution of paid and unpaid work at the level of both the individual and the household. This has included a focus on the polarisation of work across households; fertility and 'family-friendly' policies; employment scheduling; home-based employment; the transmission of ethnicity within households; as well as the links between changes in the labour market and changes in the form and function of households. Paul is currently leading the Foundation for Research, Science and Technology funded project: *Education capital formation, employment, migration, gender, work-life balance and missing men*. Relevant paper: *The changing nature of young people's transitions*.

### **Introduction**

At a time of economic downturn and significant employment loss it can be tempting to consider just recent trends in the labour market and not take into account the longer term economic and social shifts in employment that make particular groups especially vulnerable. There is also a vast range of data that could be presented, but equally there are key data not available, such as measures of casualisation of employment. Ideally, both labour supply and labour demand issues should be carefully considered. Given this complexity, inevitably any background paper on labour market trends will only present a partial picture. Drawing on some relevant literature, this paper takes a series of graphs and tables and attempts to paint a broad short and long term picture of employment change at both the level of the individual and the household. Three main data sources are used: the five yearly Census of Population and Dwellings, the quarterly Household Labour Force Survey and some recent OECD data.

In providing this overview, I particularly focus on males, and especially mid-life males, that is in the broad 30-44 age group. This is not to say trends in employment for females, or those outside this age group are unimportant. They are, and in fact some data for these other groups are presented.

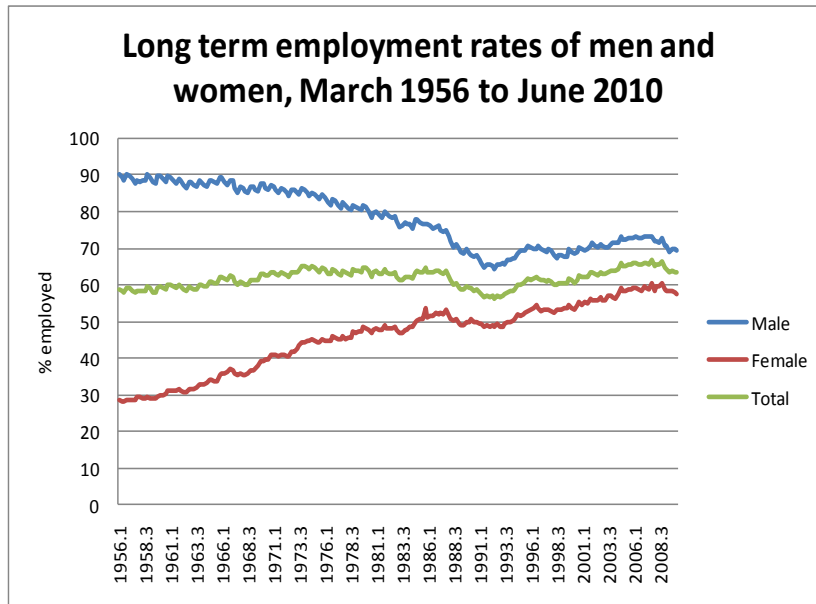
It seems, for good reason, much of the debate about welfare reforms focuses on sole mothers. But that is only one part of the story and for a variety of reasons it is important to consider what has been happening to males. However, in order to know what is happening to men there needs to be an understanding of overall shifts in the labour market. Of course changes in labour markets then flow through to the wellbeing or otherwise of families and children. The paper begins with employment change then moves into briefly analysing changing patterns of both employment and living arrangements.

### **Employment change**

Figure 1 underpins the 'breadwinner model' that was the dominant family and labour market arrangement in the 1950s and 1960s. The vast majority of mid-life men and women were married and living with dependent children. Virtually all mid-life men worked full time, full year, while the vast majority of women in this age group undertook full time unpaid domestic work in the home. In the start of the period shown overall employment rates were lower than they are now, but there was virtually no unemployment and the domestic purposes benefit was not in existence. Although some analysts question the levels of within-household transfers, effectively most 'welfare transfers' were undertaken within a family setting. At the end of the period we

have higher employment rates (even with our current recession) but also a much higher level of people supported by the state.

**Figure 1**  
Source:  
Chapple 1994, HLS



The shift away from almost full employment for males occurred in a variety of ways, including in the earlier period more young males entering tertiary education and older males retiring at younger ages. In the 1980s through the early 1990s the big dip (for males and females) was due to the recession at the time.

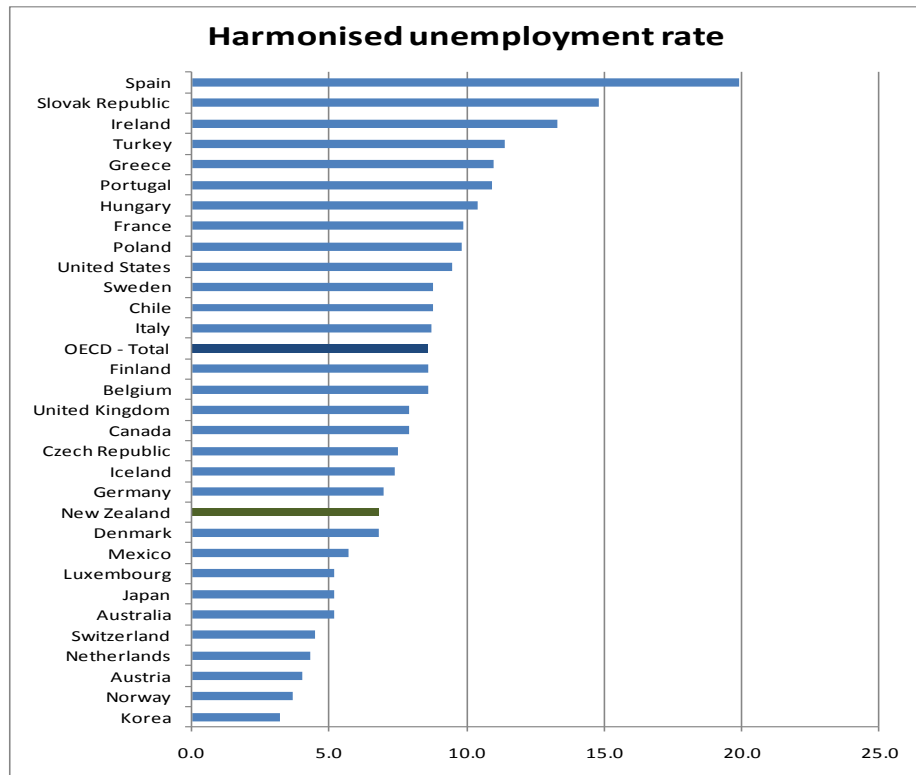
Just taking the period 1987 through to the most recent unemployment data, one can see the significant unemployment rate in the early 1990s and the recent rise in unemployment. Figure 2 also sets the scene for some later analysis where employment and living arrangements in 2006 are considered using census data. March 2006, when the last census was undertaken, was a time of relatively low unemployment and this needs to be kept in mind when considering some of the data presented.

**Figure 2**  
Source: HLFS



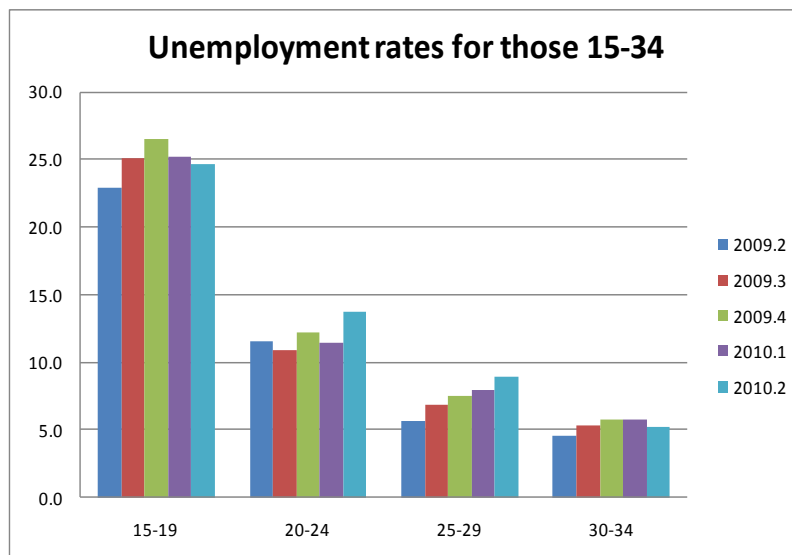
While unemployment rates are significant in the current recession they are still well below those of the 1990s and also below that of many countries in the OECD.

**Figure 3**  
Source: OECD



For a variety of reasons, the young generally get hit hard in times of economic downturn and this is no exception. This is the pattern we are also seeing internationally. Employment outcomes are affected by a range of factors but two key ones are the supply of jobs and the supply of labour. As is shown later, the current recession occurs when many young people are either entering the labour market or wanting to study.

**Figure 4**  
Source: HLFS



OECD data indicate that one response to the downturn by many countries has been to keep staff but cut hours. This is somewhat difficult to assess in New Zealand but we do have data for those working part time who want more hours (Figure 5). There does appear to be some rise in those wanting more hours. However, despite its importance this is not an issue I will return to.

**Figure 5**  
Source: HLFS



In the early 1990s Reich (1993) was theorising how labour markets were shifting in industrialised countries. He suggested that most jobs in these economies could be divided into three broad types: routine production, in-person services, and symbolic analytic occupations. Routine production jobs, both skilled and low skilled were at risk in industrialised economies (Table 1). While women were in routine production jobs, these tended to be male dominated. In contrast, most in-person service job, both skilled and low, had to be carried out within the economy itself. In addition, these tended to be 'female' jobs and in many countries a significant proportion were funded from the taxpayer. Examples include teachers and nurses.

**Table 1: Stylised employment categories**

	<i>Routine Production</i>	<i>In-Person Services</i>	<i>Symbolic-analytic</i>
<b>Mobility of operation</b>	Most manufacturing internationally mobile	Generally not internationally mobile, except in terms of tourism where the consumer is mobile	Highly mobile, but question of whether it needs to be attached to some geographic cluster
<b>Mobility of labour in these industries</b>	Generally immigration laws limit mobility	Some parts mobile	Highly mobile
<b>How earnings are set</b>	In global marketplace	By internal economy, including minimum wage legislation	In global marketplace
<b>Relative earnings</b>	Low	Low if economy is in poor shape, high if economy is strong, strong labour law and tight migration laws exist	Potentially high
<b>Level of education required</b>	Basic formal education, on job training	Mix of basic and high skill	High skill
<b>Types of occupations</b>	Factory process worker, data entry operator	Waiter, bank teller, bus driver, hairdresser	Designer, engineer, sociologist, doctors
<b>Types of industries</b>	Car assembly, steel production	Retail banking, restaurants, hotels	Research Institutes, law firms, hospitals

The area Reich saw as potentially growing most strongly in industrialised economies were the symbolic-analytical jobs, primarily professional and managerial occupations, jobs low skilled workers had little access to. While many of the symbolic-analytical jobs are male dominated, at

the time Reich was undertaking his analysis there was clear evidence within all industrialised countries that women were moving into these jobs. This primarily reflected the growth in female participation in tertiary education.

A key issue in terms of poverty alleviation, is that incomes in the 'in-person services' jobs depend heavily on a base set by minimum wage legislation and by ensuring there is not a strong supply of low-skill, low-cost labour, for example through illegal migration.

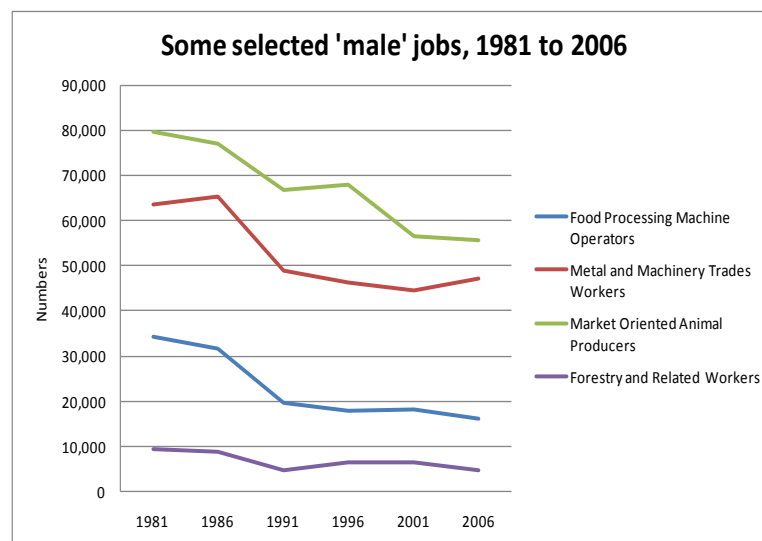
Keeping in mind Reich's general model, a number of long term shifts in New Zealand employment are evident. These include:

- Occupations: strong growth in managerial and professional jobs but also various types of service worker – major job losses for machine operators, tradespeople, labourers and agriculture workers
- Industries: major job losses in primary and manufacturing sectors – growth in many service industries, including health and education – others, like construction, have major fluctuations
- Migration policies have protected low skill workers and Australia has been a 'pressure cooker valve' for New Zealand
- While there has been a shift to high skill jobs, many low skill/low pay jobs, for a variety of reasons, are hard to fill by New Zealand workers – eg kiwifruit picking
- New Zealand loses many of its younger prime working aged people overseas
- New Zealand increasingly depends on migrants in key economic areas, eg doctors
- Work related migration is shifting from permanent to temporary
- Some jobs that have been lost required few formal qualifications but were relatively well paid – for example meat and forestry workers, tradespeople, and watersiders
- Males no longer have a monopoly on many occupations
- Many people work long hours, but many other part time workers want longer hours
- The transition from school to full time work takes longer
- More people are working at older ages

As an illustration, Figure 6 shows the decline of employment of men in some key 'male' industries between 1981 and 2006. Some of these jobs were relatively well paid and many involved a significant level of skill even if formal qualifications were not required.

**Figure 6**

Source: Newell (2010), draws on census data

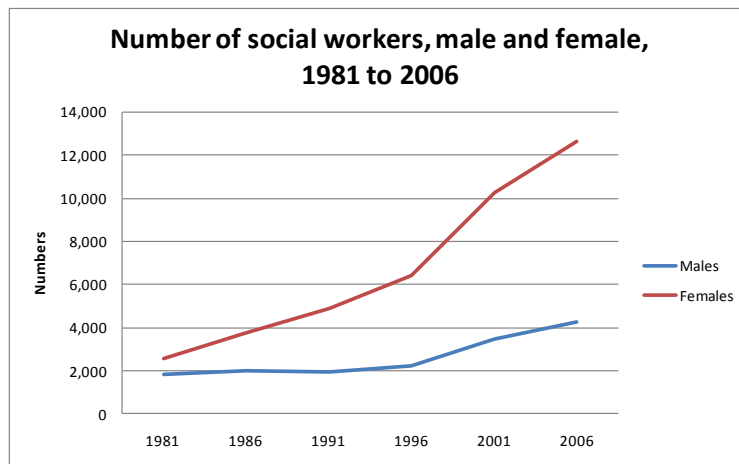


Again as an illustration, here are some of the types of jobs growing over this period. Some of these jobs were created to deal with the problems caused to families and individuals through the restructuring of the economy.



**Figure 7**

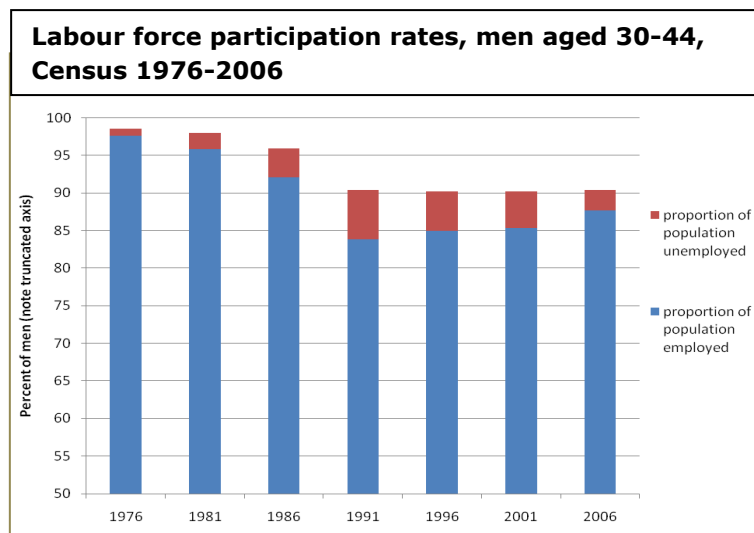
Source: Newell (2010), draws on census data



As shown in earlier data, male employment rates have been declining. Figure 8 shows changes in employment in the mid-life group between 1976 through to 2006. The key shift has been a decline in employment and while there are fluctuations, an increase in unemployment. Other work shows that while some of this shift was positive (eg: more mid life men studying, or being primary caregivers) much change has been negative. As noted earlier, 2006 was a period of strong labour markets and while employment did pick up in this census, rates were still well below the starting census in this figure.

**Figure 8**

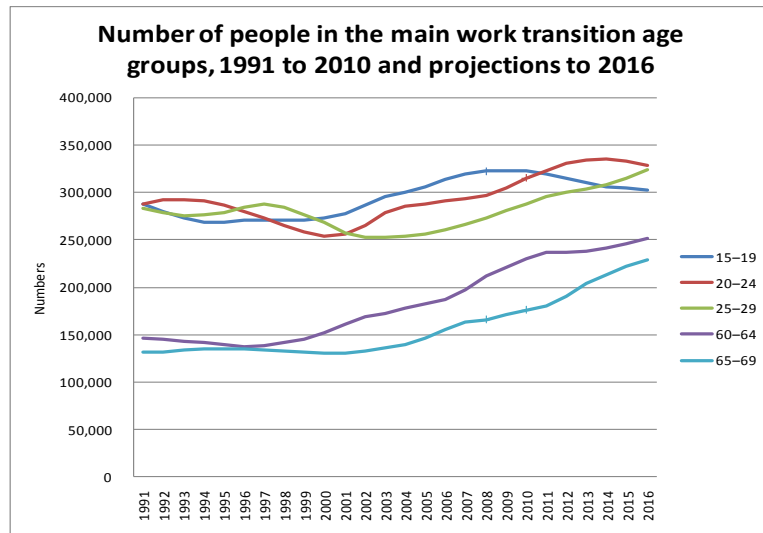
Source: Census of Population and Dwellings



Turning briefly to one form of demographic change since the last major recession, we have entered the current recession with strong growth in populations at both ends of the paid work lifecycle (Figure 9). Over much of the last decade, young and older people have been growing in numbers. While growth in those aged 15-19 is now slowing, those in the 20-29 age groups will continue to grow for some time. This 'baby blip' arrives at both the labour market and tertiary education as the doors are closing on them.

**Figure 9**

Source: Population projections,  
Statistics  
New Zealand



How did the labour market respond in face of these growing populations in the last decade? Figure 10 shows the period of strong employment growth between 2003 and 2008. Employment growth was fast enough to absorb the new workers. But the number of jobs held by women grew faster than for men (but of course from a lower base).

**Figure 10**

Source: HLFS

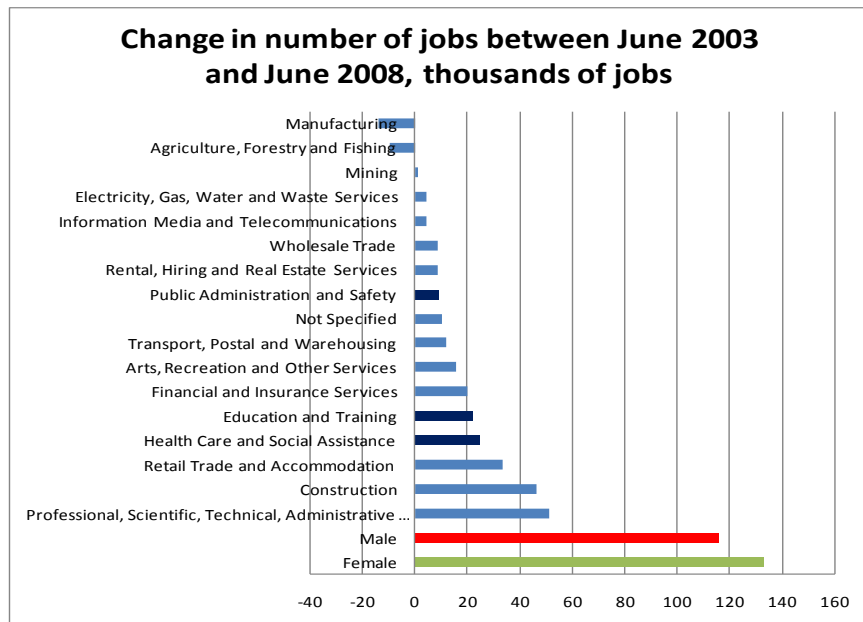
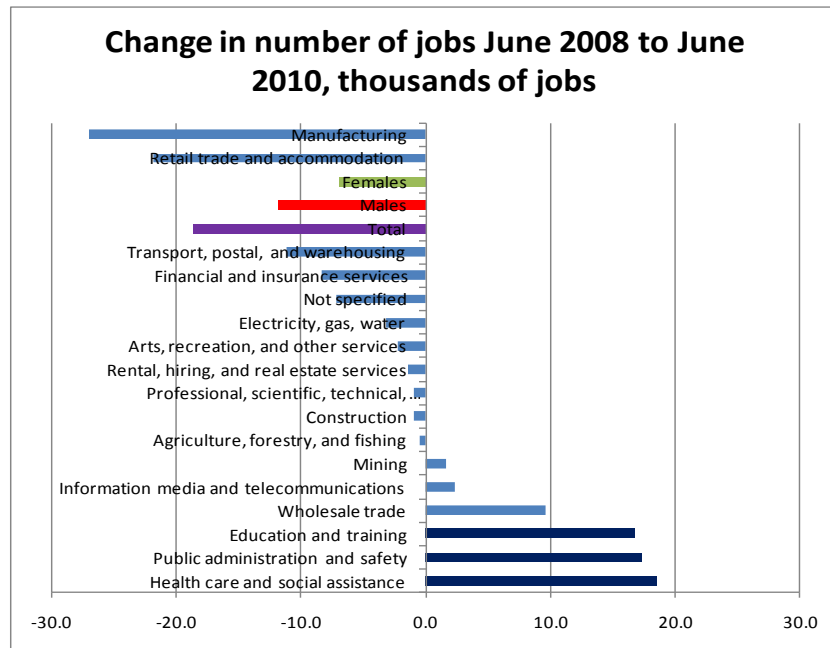


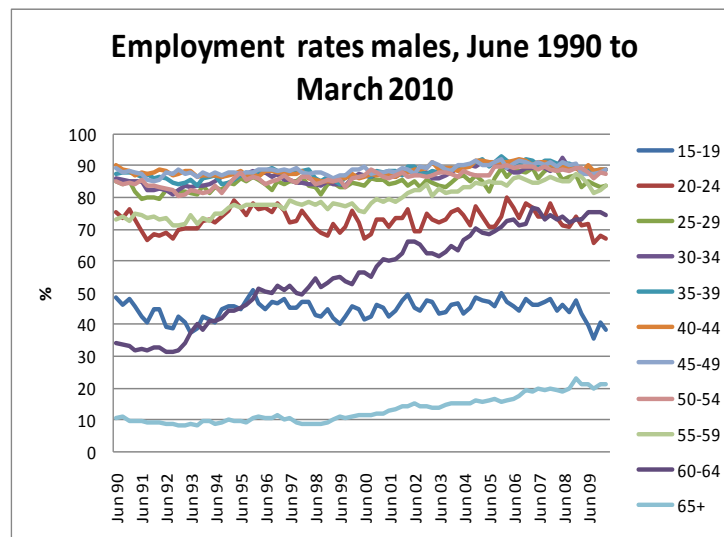
Figure 10 shows that almost all major industry groups grew in this period, but it is notable the primary and manufacturing sectors continued to decline. Three areas of heavily government funded services grew (in dark blue) but so too did a number of private sectors industries, including construction (a male dominated sector). In contrast, in the period 2008-10 there was significant job loss (Figure 11). There was a greater loss of male than female jobs in this period, but perhaps not enough to classify it as a "Man-cession" the name given by some commentators to the employment loss in the US where, unlike New Zealand, male unemployment rates are significantly higher than female rates. The three areas that stand out in New Zealand as providing job growth are primarily funded by the government. These jobs can be seen either as a cost to the taxpayer or an investment in the future depending on one's viewpoint.

**Figure 11**  
Source: HLFS



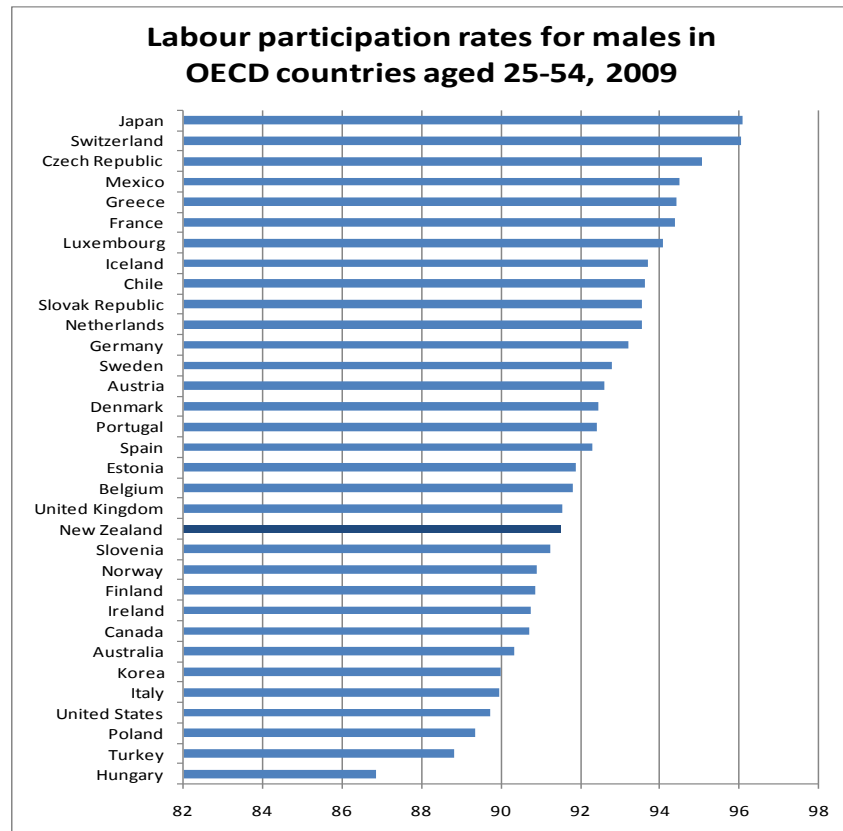
So how have the recent demographic changes and job changes affected different age groups? Again, just staying with males, two broad age groups stand out. These are those in traditional labour market entry age groups and those in the exit groups – both of which are growing in numbers of people (Figure 12). In a similar pattern to much of the OECD, it is the young group who have been hit hard by the recession. Employment rates for those 15-19, 20-24 and 25-29 have all declined. In contrast, there has been little overall change in the employment rates of those aged 60-64 and 65+.

**Figure 12**  
Source: HLFS



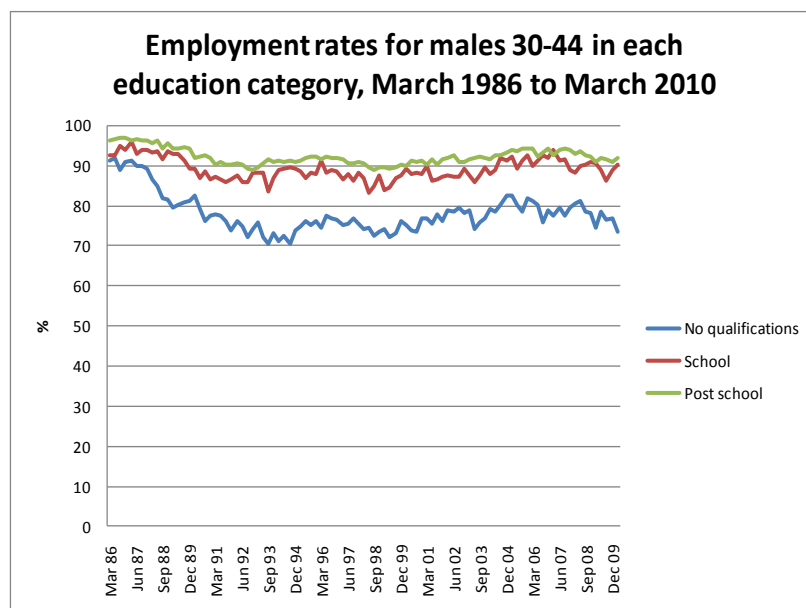
There has also been some small decline in those in the mid-life group. Internationally, on employment data, for mid-life men (a wider definition this time, 25-54) we have labour force participation rates (a wider measure than employment rates) that are similar to the UK, above Australia and the US (even though Australia had lower overall unemployment at this time) but lower than a range of other OECD countries (Figure 13).

**Figure 13**  
Source: OECD



One of the issues often identified in the literature is that job loss especially hits those with little formal education. HLFS data for mid-life men confirm that now even in strong labour markets, males without formal qualification have much lower employment rates (Figure 14), in contrast to 1986, when low skilled men had significantly higher levels of employment. As shown by the latest *Employment Outlook*, throughout the OECD in times of recession low skill men and women are especially vulnerable to job loss.

**Figure 14**  
Source: HLFS

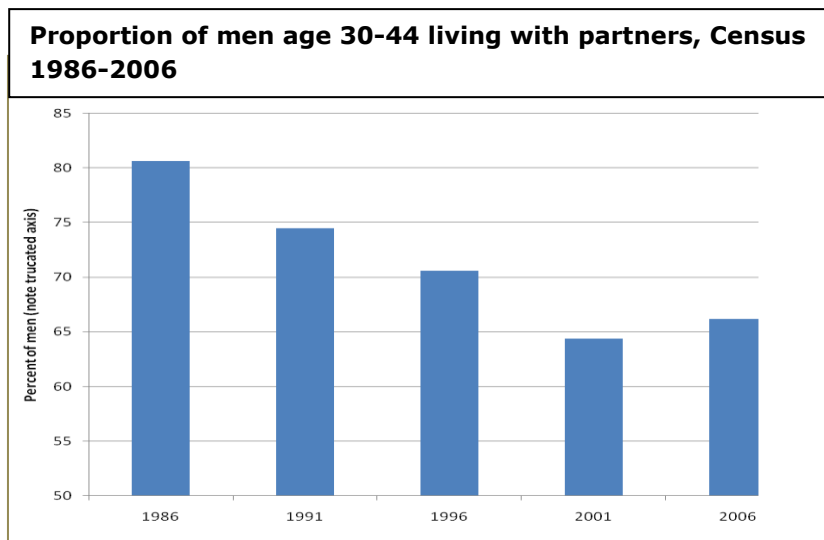


### Family Change

Just as employment rates for mid life men have been changing so too have partnering rates. Figure 15 shows a significant decline in partnering for this group. There is an extensive

international literature that attempts to draw links between employment change and partnering change (Callister and Rea, forthcoming). While there are many drivers of partnering, this international research supports the idea that that part of the shift has been related to some men finding themselves unable to support partners and children.

**Figure 15**  
Source: Census of Population and Dwellings



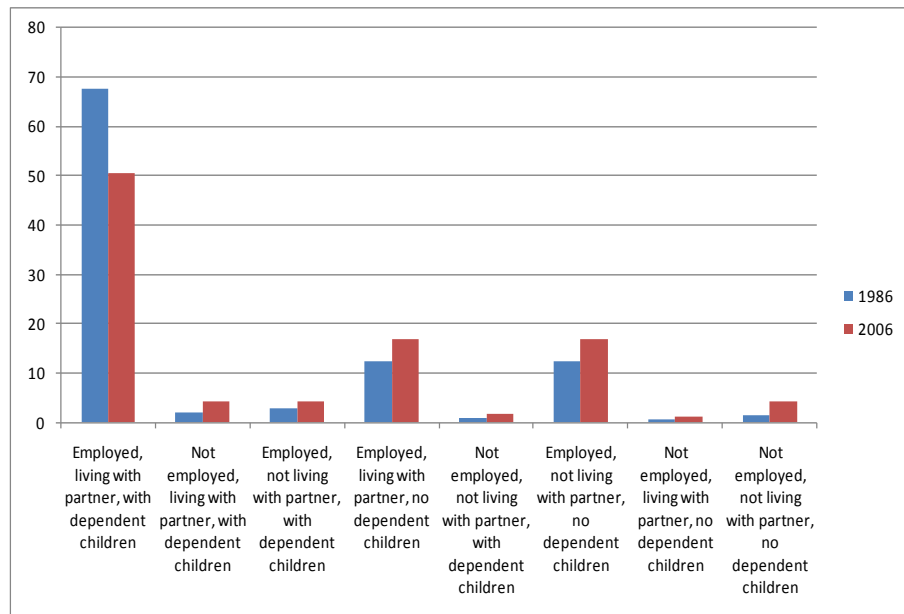
Bringing together changes in both employment and living arrangement, it is possible to calculate the proportion of mid-life men in a range of work and living arrangements. This includes those who are not employed, not living in a couple and not living with a dependent child (Figure 16). In doing so, we have to limit our calculations to those living in private dwellings. In 2006, over 14,000 men aged 30-44, or about 4% of this age group, lived in non-private dwellings in New Zealand. Given that non-private dwellings include psychiatric hospitals, night shelters and prisons, the exclusion of men in these settings in our calculations is likely to lead to an underestimation of those on the margins.

Figure 16 reveals that over two decades, the extent to which men in mid-life are 'employed, partnered, and living with children' has declined dramatically. In 1986, almost 68% of men were living in this 'traditional' work and family arrangement, but by 2006 this had fallen to just on half. Figure 16 also shows there has been growth in all categories aside from the traditional one. This reflects three changes that have occurred individually or together. These changes are a larger proportion of men in 'traditional' couples not being in paid work, a larger proportion not living in a couple, and a larger proportion not living with dependent children in 2006 compared with 1986. Certainly not all the changes are bad. There has been an expansion of the possible work and living arrangements open to males. For example gay men no longer need to try and mould themselves into traditional marriages, some fathers can choose to be 'househusbands' or undertake study while their partner supports them and couples can voluntarily decide to be 'childfree'. But much of the change has been problematic.

The 2006 census shows that males disconnected from both employment and family represent just 4% of men in this mid-life age group at this point in time. Yet, this still represents over 16,000 New Zealand men living in private dwellings in this age group in 2006. For a variety of reasons, including the non-completion of census forms, the actual numbers will be somewhat higher. Given recent trends in HLFs data, this proportion would have almost certainly have risen above 4% by early 2010.

**Figure 16**

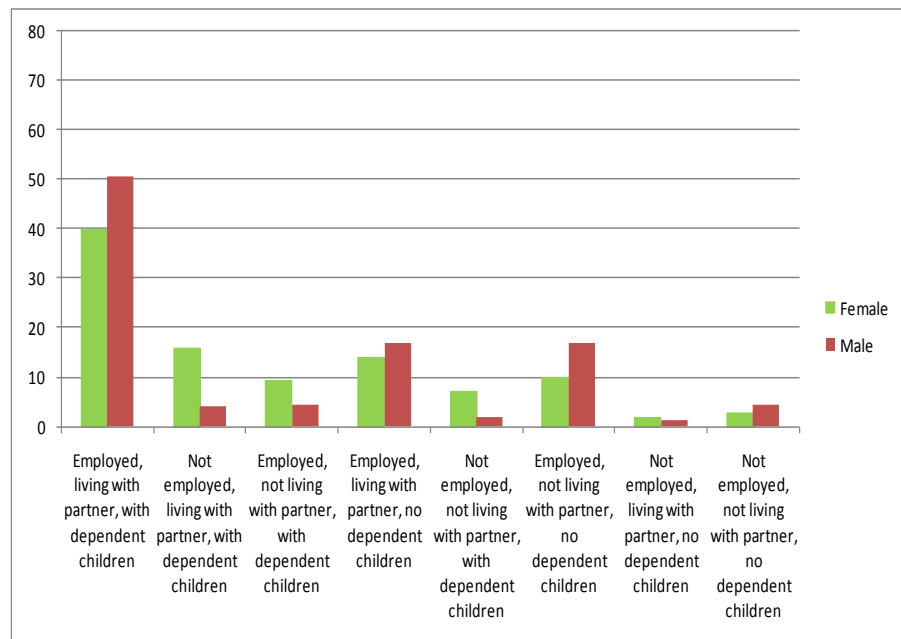
Source: Callister and Rea (forthcoming) based on census data



Given the interest in sole mothers in welfare reform, Figure 17 shows the parallel pattern for women aged 30–44 in 2006. The patterns for women have both similarities and differences compared with the male patterns. Mid-life women are more likely than mid-life men to be ‘not employed, living with partner and with dependent children’ (the traditional family), but also not living with a partner, but either employed or not employed. These latter groups are the sole parents. Women are slightly less likely than men to be on the margins of work and family life.

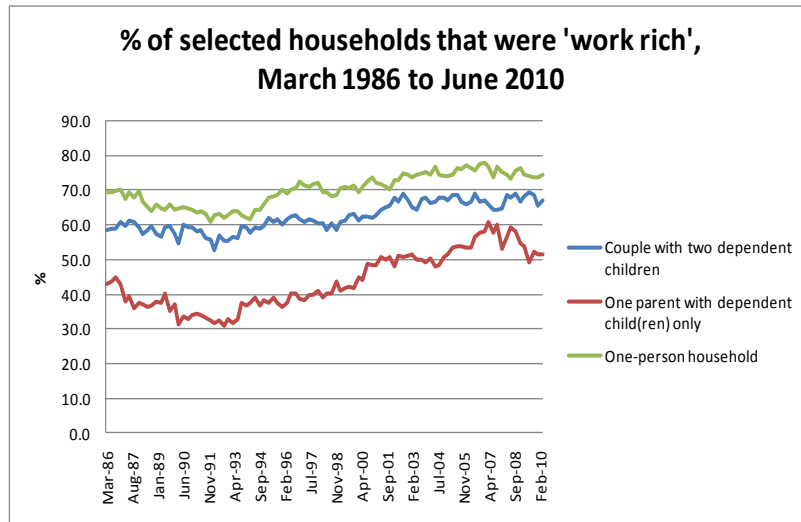
**Figure 17**

Source: Callister and Rea (forthcoming) based on census data



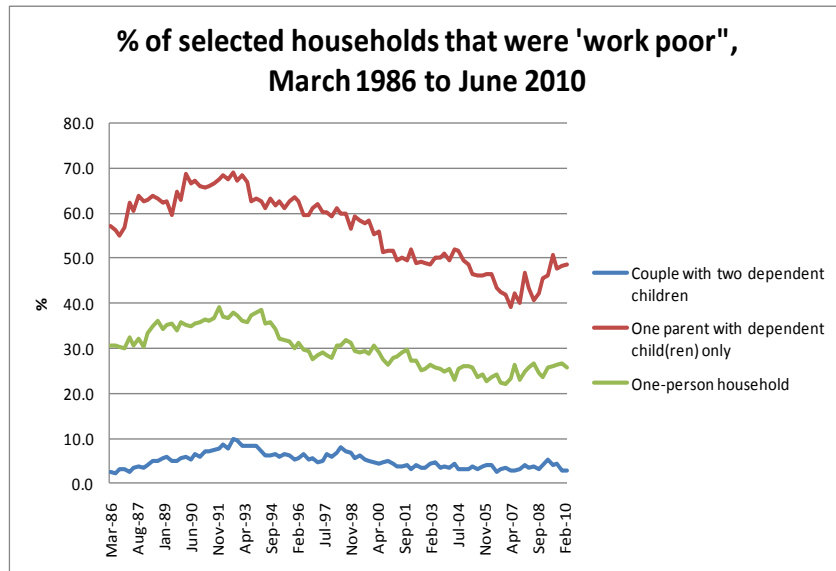
HLFS data cannot easily show us how these work and family arrangements have changed as we have moved into the current recession. But this survey can show us how many households are ‘work-rich’ (all adults in paid work), or ‘work-poor’ (no adults in paid work). Of course for sole parents or those living on their own they can only be in one of these two categories, but couples could be in a third, that of just one partner in paid work. Figure 18 shows data for households where at least one adult is in the 18-64 age group. It shows relatively little shift in the proportion of couples with children or people living on their own who were ‘work-rich’ but a significant recent decline for sole parents. But in June 2010, a higher proportion of sole parents were still in paid work than in much of the time since the mid 1980s.

**Figure 18**  
Source: HLFS



For sole parents and people living on their own, Figure 19 is a mirror image of the previous graph. But for couples there has been not rise in the proportion where both are out of paid work. There could be a range of reasons for this, including that some couples may separate when both partners are out of work.

**Figure 19**  
Source: HLFS



## Conclusion

Recent changes in employment need to be seen as part of longer term changes. As shown at the start, even in the current recession we have as high levels of employment as in the 1950s. But employment changes cannot be seen in isolation from changes in living arrangements. Longer term structural changes in both families and the labour market mean that particular groups are now vulnerable even in times of strong labour markets. Demographic change, and the caps placed on enrolments in tertiary education providers, are currently also creating extra challenges for young people in the current recession.

Bringing back in a consideration of welfare reform, I conclude with a quote from African-American writer William Julius Wilson (2009). In an article that explores the effect of the economic downturn in the US, Wilson considers one aspect of their brand of welfare reform. That is encouraging greater involvement of black fathers with their children, whether through active involved parenting, or through income support whether or not actually living with the children.

*...take the problem of black male fatherhood. I would argue that programs focusing on the cultural problems pertaining to fatherhood, including attitudes concerning paternity, without confronting the broader and more fundamental issues of restricted economic opportunities have limited chances to succeed. In my view the most effective fatherhood programs in the inner city will be those that address the framing of attitudes, norms, and behaviours in combination with local and national attempts to improve job prospects. Only when black fathers have a realistic opportunity to adequately care for their children financially will they be able to envision a more family centered life for themselves and their children.*

Finding ways to create stable well paid jobs for all those who want them in industrialised economies is a major challenge. But it is a particular challenge in times of global economic crisis. It would be good if there was some easy answer. But until we can create considerably more long term, well-paid jobs for both men and women, with working conditions that allow an optimal balance between work and family life, we continue to place many in society at risk, especially children.

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# Issues and implications for Māori in the welfare reform process

*Cindy Kiro*



**Cindy Kiro**, Associate Professor, School of Public Health, and Associate Professor at Te Mata o Te Tau, the Academy for Māori Research and Scholarship, at Massey University, is the former Commissioner for Children. She has extensive research experience in public health, policy for children and young people, and Māori health and development.

## **Introduction**

The important public debates around welfare reform concern Māori, an economically vulnerable population who act as 'the canary in the coalmine' for other vulnerable populations also likely to be targeted by welfare reforms in New Zealand. Māori need to understand that because of their demographic importance in the future they can be in the driving seat of helping New Zealand to achieve better economic prosperity and social cohesion. Government has a leadership role in developing a strategy which facilitates Māori participation in the labour market. August 2010 official statistics show Māori unemployment at 16.4%, the highest rate since 1993. The key to reducing benefit dependency is the interaction of available suitable work and early established pathways to move individuals and their families through education, early labour market participation and the provision of essential services for employment such as childcare for families with dependent children. Short term or populist approaches reinforcing old stereotypes of Māori will reinforce patterns of failure, making it harder to exit a reliance on benefits in the future. Conceptualising the problem at a population level is essential for dealing with these issues in an ethical and sustainable way.

## **Problem Definition**

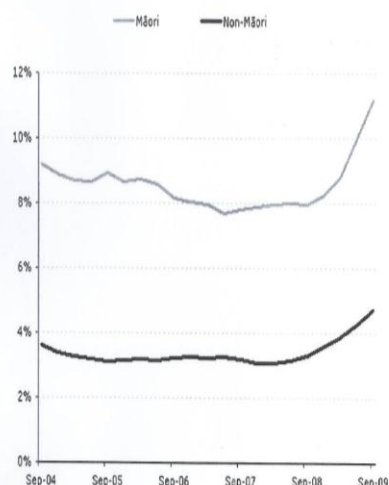
The recent discussion paper from the Welfare Working Group signals the problems of definition when talking about "welfare". The WWG has been asked to look at issues based on a few premises i.e. that New Zealand cannot afford the current growth of welfare, especially in sickness benefit and disability allowances. The high numbers of solo parents is another issue for the WWG and the question of whether or not people are manipulating the system by switching between benefits. They are also examining the question of whether we should fund the system differently, in particular by moving to social insurance.

There are important public debates that concern Māori around welfare reform. Māori are an economically vulnerable population and to this extent provide warning signals for other vulnerable populations who are also likely to be targeted by welfare reforms in New Zealand. Young Māori often act as the early warning system for other sectors of the population in identifying the harshest impacts of an economic downturn.

## **Inequality**

Significant changes occurred in New Zealand during the period 1981 to 2006 and unsurprisingly, these had a profound impact on Māori whanau/families and households. This is associated with family structure: Māori had higher proportions of single-parent families who lost income in during the period 1981-1991. The Macro-economic climate over this time contributed to New Zealand now being one of the most unequal countries in the OECD. Significantly, the rate of growth of this inequality has been the fastest among the OECD countries in the years 1984 to 2008.

CHART 1 : MAORI AND NON-MAORI UNEMPLOYMENT RATES, 2004-2009



The existing policy mix at the moment is perpetuating the inequality that exists and has existed for a very long time. Investing in Māori children will safeguard the future of Aotearoa by addressing the inequality Māori children are facing and strengthening our very foundations as a nation.

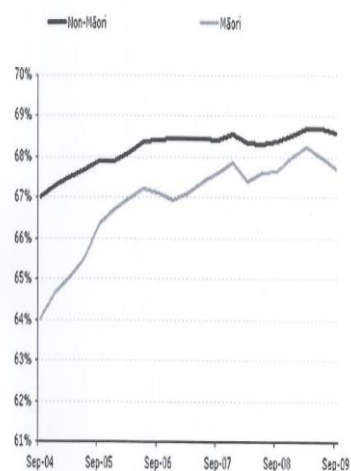
### ***Māori in the New Zealand Labour Market***

The key to reducing benefit dependency is the interaction of available suitable work and early established pathways which move individuals and their families through education, early labour market participation (as youth) and the provision of essential services for employment such as childcare for families with dependent children.

Māori are more likely to be in certain occupational groups where work is unstable and easily affected by the whims of economic stress (New Zealand Household Labour Force Survey, Statistics New Zealand 2010).

There are positive trends such as improvements in the number of Māori households with higher qualifications and changes in employment by occupation with more Māori employed as legislators, administrators, managers, technicians, associate professionals and trade workers, although this is a mixed blessing given the recent substantial fall in employment in the construction industry.

CHART 4: MAORI AND NON-MAORI LABOUR FORCE PARTICIPATION RATES, 2004-2009



Short term or populist approaches which reinforce old stereotypes of Māori will reinforce patterns of failure and make it much harder to exit a reliance on benefits in the future. Conceptualising the problem at a population level is essential for dealing with these issues in an ethical and sustainable way.

### ***New Zealand Children***

Māori need to understand that because of their demographic importance to New Zealand in the future they can be in the driving seat of helping New Zealand to achieve better economic prosperity and social cohesion. It is time to reframe the debate and acknowledge that "We are the assets, the people who demonstrate cultural integrity and depth, that contribute wealth to this country;

we are the people having children; growing families"

We need to look beyond the deprivation which exists in Māori households and think about the wonderful asset tāngata whenua bring our economy and to society as a whole. Maori and in fact Pacific children are such a crucial part of the big picture.

In twenty years, this will be a very different country with the largely European aging population relying increasingly on the support of Māori and Pasifika New Zealanders - who will be taxpayers, employees, workers. We need to invest in demographic 'dividends' now.

## Reflections from the 'coalface' *Kay Brereton*



**Kay Brereton** is the Advocacy Coordinator at the Wellington People's Centre. The WPC was founded in 1992 and works to assist low waged workers and beneficiaries, by providing access to free advocacy and quality low cost health services. Kay has extensive experience in advocating for beneficiaries to receive their full and correct entitlements. She brings grassroots knowledge of the benefit system, and the experiences of beneficiaries.

### ***Reflections from the 'coalface'***

Today the Governments Future Focus amendments to Welfare come into force. Future Focus is a big step backwards. This punitive change to welfare law is an attack on the underlying principle that welfare is the provision of assistance to all New Zealanders in their time of need. The changes add sole parents with their youngest child older than 6, to the 60,000+ unemployed who face sanctions on their benefits if Work and Income doesn't think they are trying hard enough to find jobs.

There is no longer any negotiation about what steps someone will take to seek work, the decision about what is suitable will be put in the hands of the case managers, whom people often experience as disinterested, bureaucratic and incompetent. If people are unable to feed their families on an income which holds them below the poverty line, when they ask Work and Income for assistance they will be sent to budgeting activities which will reinforce that they are somehow at fault. This disempowerment and victimisation is the kind of systemic abuse which will capture and trap people in a cycle of welfare dependence.

Later in the week we will all experience price rises of 2.22% or more as GST increases. While those in work and on NZ Superannuation will get a tax cut which may soften the blow, those on Benefits (also NZ Superannuation) will get a Temporary GST Adjustment of 2.02%. This increase of \$3.92 on an Unemployment Benefit won't be received in full until the week of 11 October as benefits are paid a week in arrears. While wage earners are struggling to pay the bills and having to cut discretionary spending, beneficiaries are struggling to pay the rent and buy food. Utilities have become luxuries.

### ***The real problem is not enough jobs***

I am disappointed at the tone of the Treasury report to the Welfare Working Group "Key problems and options for reform". It is clear from the report that Treasury believes the key problem to be beneficiaries and their lack of motivation to find paid work. And their solution appears to be using a bigger stick, and moving more people onto work focused benefits with sanction regimes.

Every day I meet people who desperately want to get a job and be free of the benefit system, these are people who apply for job after job and are willing to take anything, but for them there isn't anything there. Currently there is an oversupply of labour which enables employers to cherry pick; this is supported by laws such as the 90 day trial period. What results for many people, particularly those with health issues, caring responsibilities, and broken work histories, is that they are not considered as the best available option and regardless of how many applications they make, until the labour market conditions change these people will not get job opportunities.

We are told that the taxpayer cannot afford the benefit system and that it is unsustainable, in fact I believe that an adult unemployment benefit of under \$200 a week is giving the taxpayer

very good value for money. Some people seem to have forgotten that the Welfare System was in fact created for times just like these we are currently facing, and to support the sick and those who have lost the support of their spouse.

I am saddened when I see and hear more beneficiary bashing and blaming. As a nation we are disempowering and marginalizing a significant portion of our population, and then saying it's their fault because they don't try hard enough.

# Welfare reform: Changing the way we account for taxes and benefits

## Keith Rankin



**Keith Rankin**, Lecturer, Unitec, Auckland, is a Political Economist and Political Historian. Keith teaches economics within Unitec's Faculty of Creative Industries and Business. Since 1997 he has developed and used a spreadsheet-based model to analyse the impact of New Zealand's different taxes, tax credits and other benefits. Keith has written a number of papers on related issues, and was co-author of "Escaping the Welfare Mess" in 2009.

### Introduction

The issue of welfare reform is made difficult because of the boundaries we traditionally (yet implicitly) place between the tax system and the benefit system. To most economists, benefits are transfers, and transfers are equivalent to negative taxes. The key insight here is to turn this proposition on its head, to suggest that tax concessions are really benefits and should therefore be accounted for as such. Somewhat disconcertingly for many people, this means that almost all of us receive some income that can best be understood as benefits.

Benefits in New Zealand are not only paid by WINZ, and arguably the most important benefit-paying agency is the IRD (Inland Revenue Department). "If it walks like a duck, and quacks like a duck, then it probably is a duck". Benefits paid by the IRD include:

- a. "Tax Breaks"
- b. Working for Families family of "tax credits"
- c. Independent Earner Tax Credit
- d. Concessions on a person's first \$70,000 of annual income
- e. Subsidised company tax

By the very nature of graduated income tax scales, whereby the first dollars earned are taxed at concessionary rates, then all taxpayers receive some tax concessions. Therefore it can accurately be claimed that all taxpayers are beneficiaries. Given that almost all adult non-taxpayers are also beneficiaries – receiving benefits in such forms as Family Tax Credits, New Zealand Superannuation, and Accommodation Supplements as well as traditional benefits such as the Invalids Benefit – then it is not unreasonable to claim that "we are all beneficiaries now".

From this "we are all beneficiaries now" perspective, the issue becomes one of equity. Horizontal Equity is a *rights-based* perspective, whereas negative equity is a *needs-based* perspective. Both principles apply to a sound benefit system.

Benefits paid (or justified) under horizontal equity principles cannot be classed as transfers. Rather, they are *dividends*. One shareholder in a business firm receives the same income share as another shareholder on the basis of the principle of treating equals equally.

## Some Basic Principles

### – Private and Public Income Rights

- People are born free, into societies.
- People have both private and public ownership rights, and obligations; ie people have both private and public equity.
- **People have a right to income from both public and private sources.**

### – Equity Principles

- **Horizontal Equity** – treating equals equally – means all persons within a society have **identical public rights and obligations**.  
– note, though: *minors may have their rights defined differently*
- **Vertical Equity** – treating unequals unequally – means that persons without special needs have some obligation to concede a portion of their public income rights in favour of those who in practice are not able to draw on sufficient private incomes to meet their special circumstances.

Children (minors) have the same rights as adults, but those rights need not be expressed in the same ways as for adults. Thus an equal income entitlement that would be paid to adults in monetary form might be paid to children as additional social expenditure on their behalf, including expenditure on their education.

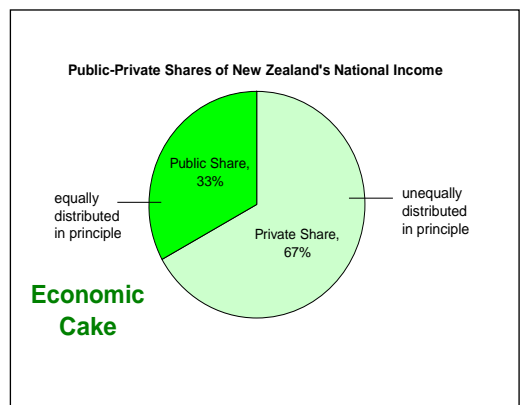
Benefits paid or justified under vertical equity principles are *transfers*, and are conditional, by their very nature, on the needs of the recipients. Needs may include the inability to secure a private income due to circumstances such as unemployment, disability or the requirement to care for others. Or it may include a shared belief that older persons should be exempt from the requirement to gain a private income through work. Or a recognition that child-raising and housing requirements create additional needs.

The approach taken here is that taxation is based, in principle, on horizontal equity, with the individual rather than the household as the basic taxable entity. Benefits (dividends or transfers) may be payable on grounds of either horizontal or vertical equity. All instances of vertical equity – treating unequals unequally – shall be accountable on the benefit side of the ledger. Thus, for example, a tax concession negotiated with a movie production company would be accountable as a subsidy (a form of transfer benefit) rather than as a reduced tax liability.

The only kind of income tax that conforms with horizontal equity is a proportional or "flat" tax. The benchmark underlying flat rate of tax in New Zealand, since 1988, is 33 cents per dollar (33 per cent) of national income: from 1988-2000 the top personal rate, trust rate and company rate were 33 per cent. The 39 per cent rate introduced in 2000 was a surcharge then applied only to the highest 5 per cent of individual incomes; however, trust and personal rates realign at 33 per cent from 1 Oct 2010.<sup>1</sup>

The accounting reform suggested here would mean that all individuals pay exactly 33 per cent of their income as income tax, with the difference accounted for as a benefit. Such a benefit, which is lower for lower income recipients, as it stands, cannot be justified on vertical equity grounds. Nevertheless, despite being horizontally inequitable, it is much closer to being a dividend than a transfer.

A flat taxation rate of 33 per cent represents a 33 per cent share of gross domestic product that is claimed as public income,<sup>2</sup> leaving the remaining 67 per cent share as private income.



In the example below, we consider adults earning \$0, \$500, \$1000, \$1500 or \$2000 per week before tax. The right hand column shows their present after-tax income, assuming no receipt of any kind of benefit other than statutory income tax concessions. The privately-sourced income column applies the horizontal equity principle (67% of gross earnings), meaning that the difference between privately-sourced income and current disposable after-tax income ("net income") is income sourced from the 33 per cent public claim on GDP.

We see that for higher income earners the annual public-sourced income comes to exactly \$9080, and that for persons on an income close to average (\$1000 per week) their public income component comes close to that \$9080 figure.

<sup>1</sup> The average tax rate approaches 33%, asymptotically.

<sup>2</sup> There are additionally subsequent public revenue claims arising from indirect taxes (eg Goods and Services Tax) and profits from publicly-owned businesses. These other sources of public revenue already incorporate horizontal equity principles.

## Personal Private & Public Income

- Private Income = 67% of Gross Earnings  
– assuming a 33% underlying tax rate
- **Additional income received** due to tax concessions, tax credits, WINZ benefits **is drawn from the public share of the cake.**

"Non-Beneficiary" Examples using October 2010 tax scales:

	Gross Income		Public-Sourced Income		Private-Sourced Income		Net Income	
	\$pw	\$ annual	\$ annual	%	\$ annual	%	\$ annual	%
0	0	0	0		0		0	
500	26,000	5,530	21.3%	17,420	67.0%	22,950	88.3%	
1,000	52,000	8,540	16.4%	34,840	67.0%	43,380	83.4%	
1,500	78,000	9,080	11.6%	52,260	67.0%	61,340	78.6%	
2,000	104,000	9,080	10.9%	69,680	67.0%	78,760	77.9%	

We clearly see that present public-sourced income comes close to conforming to the requirements of a horizontal equity (dividend) benefit. We shall call this implicit individual benefit – currently \$9080 per annum – a "public equity benefit" (PEB).

Currently, most persons earning less than the average fulltime wage (just under \$1000 per week), qualify for some kind of vertical equity benefit, as do many earning more than that (eg abated Family Tax Credits, Accommodation Supplements on their mortgages).

So a substantial majority of New Zealand adults do presently receive at least \$9080 of publicly sourced income. The policy challenge is: (i) to account for the first \$9080 of all individuals' publicly sourced income as a Public Equity Benefit (payable as of right), and to only account for excess publicly-sourced income as needs-based transfer payments; and (ii) to ensure that all adults receive at least \$9080<sup>3</sup> of publicly-sourced income.

It is useful to account for any shortfalls in publicly-sourced income (eg, in the present context, situations where an adult New Zealander receives less than \$9080 of publicly sourced income) as a tax surcharge. This means that we can presently account for the \$9080 as an explicit Public Equity Benefit, and we can clearly see the policy challenge as one of eliminating "low income tax surcharges".

### Public Equity Benefit (PEB)

- All earners receive income from the public share of National Income
  - this benefit looks more like a *dividend* than a *transfer*
    - hence it can be understood as a **public equity benefit (PEB)**
  - low earners presently get a smaller PEB
    - present PEB conforms neither with horizontal nor vertical equity
    - company dividends never discriminate against the low paid
- We compensate most non-earners and low earners for their reduced PEBs by paying them substantial transfer benefits:
  - eg WINZ Benefits (UB, DPB etc), Family Tax Credits, Accommodation Supplements

### Reform Informed by Equity Principles

- \*Most adults currently receive total annual benefits of \$9,080 or more.
- \*Account for the first \$9,080 of WINZ benefits as a true Public Equity Benefit (horizontal equity).
- \*Account for the remainder as a transfer payment from public funds (vertical equity).
- \*For those whose total benefits are less than \$9,080:
  - account for the shortfall as a tax surcharge
  - eliminate tax surcharges as public finances permit
  - assess transfer payments on basis of household need

<sup>3</sup> A lesser figure could be adopted, but that would be interpreted as a tax increase by middle-high income earners. A more politic solution would be to focus any future 'tax cuts' on making the existing \$9080 benefit into a truly universal dividend-style benefit.

How would this new accounting approach affect low income families?

First, it would allow such families to treat a greater share of their households' publicly-sourced incomes as rights-based dividend benefits (Public Equity Benefits), and a lesser share as transfers which maintain the stigma of being "hand-outs".

Second the focus of future tax reform would be to ensure that Public Equity Benefits represented a bottom-line, a benefit that can never be lost. For example, changes in persons' hours of work, household composition, or partners' incomes will not affect this bottom-line benefit.

Given that high income earners already receive this benefit unconditionally, the argument is compelling that it should be payable to all adult New Zealanders.

Following this approach, then the process of reforming the WINZ (vertical equity) system of transfer payments should be much less fraught, given that, with needs-based benefits being seen to form a relatively smaller share of total publicly sourced income, 'beneficiaries' (meaning people in receipt of transfer benefits) would be at risk of losing less than if their entire benefits are regarded as conditional transfers.

We account for our systems in order to understand them as clearly as possible. Good accounting systems will therefore open the door to appropriate changes to those systems. The principal argument here is that improved accounting enables us to make explicit a Public Equity Benefit (PEB) that is already there implicitly. Once PEBs are visible, we need to investigate and ideally remove any inequitable or inefficient anomalies that cohabit that benefit. Low income surtaxes are clearly inequitable. They are also inefficient. Families and individuals have incentives to modify their circumstances so as to avoid them.<sup>4</sup>

To maintain the integrity of all benefits they must be indexed over time, at least to the CPI (consumers' price index) as WINZ benefits are indexed today. Ideally, in growing economies, equity benefits at least should be indexed to some other indicator – for example nominal GNI (gross national income) per capita – to ensure that publicly sourced income grows at least as quickly as privately sourced income.

There are strong arguments that the principal drivers of productivity growth are collective inputs – such as social capital, education, infrastructure, good public policies. If these arguments are

## Low Income Tax Surcharge

applied to person receiving no transfer benefits; eg caregiver not eligible for Family Tax Credits

Gross Income		Public-Sourced Income		Private-Sourced Income		Net Income	
\$pw	\$ annual	\$ annual	%	\$ annual	%	\$ annual	%
0	0	0		0		0	
500	26,000	5,530	21.3%	17,420	67.0%	22,950	88.3%
1,000	52,000	8,540	16.4%	34,840	67.0%	43,380	83.4%
1,500	78,000	9,080	11.6%	52,260	67.0%	61,340	78.6%
2,000	104,000	9,080	10.9%	69,680	67.0%	78,760	77.9%

for person on \$1,000 pw, **annual tax surcharge**

= PEB (\$9,080) – actual tax concession received (\$8,540)  
= **\$540**

for person on \$500 pw, **annual tax surcharge**

= PEB (\$9,080) – actual tax concession received (\$5,530)  
= **\$3,550**

## Low Income Families

- both parents should receive Public Equity Benefits
- Child Support, if applicable, is a private transfer
- additional support, where applied for and means-tested, payable as vertical equity transfers
  - transfers from public funds may be conditional on meeting some appropriate public obligations (not necessarily paid work)

### Single Parent families

- parent more likely (than for 2-parent families) to require some support from public transfers

<sup>4</sup> We see such avoidance today, as 'work avoidance' brought about by high 'effective marginal tax rates' as people become less eligible for transfer benefits.



valid, then it follows that, over time, the public claim over GDP should rise, progressively, above the 33 per cent share depicted here. This would indicate a need for gradual increases in the underlying flat tax rate, and increases in public equity benefits over and above those prescribed by any indexing system.

### **Conclusion**

This reformed system of accounting for benefits leaves us with a tax-benefit system with two core horizontal equity parameters: an underlying flat rate of income tax (eg 33 per cent), and a public equity benefit (eg \$9080 per annum). These parameters are of course set through the political process. One can imagine a right-wing government proposing a lower core tax rate, a reduced public equity benefit, and greater reliance on needs-based transfers. A left-wing government may be more inclined to raise the core tax rate, enabling increased spending on collective goods (such as health-care and education) and increased transfer payments. A centre government, while maintaining a strong commitment to collective goods' provision, might emphasise more the desirability of raising the level of the public equity benefit as a kind of growth dividend that benefits all equally.

### **Finally:**

- **Reformed tax-benefit accounting leaves us with two key horizontal equity parameters:**
  - an **underlying (flat) tax rate** (eg 33%)
  - a **public equity benefit** (eg \$9,080 per tax resident)
- "welfare reform" should also address vertical equity top-up benefits
- **Change over time:**
  - eliminate any low or high income tax surcharges
  - **underlying tax rate** and **public equity benefits** should both rise over time as productivity increases
  - when state of economy requires additional work incentives, government could reduce public claim on national income: ∴ lower tax rate; lower benefit

## **Towards welfare solutions: Public attitudes and how we should 'frame' the debate** *Louise Humpage*



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### ***Introduction***

This paper argues that analysing New Zealand public attitudes about the welfare state tells us much about where we should place our focus in countering regressive welfare reforms. It draws upon two research studies that have assessed whether attitudes to the welfare state and notions of social citizenship have changed since the 1990s. One used existing quantitative data from the New Zealand Election Study (NZES) over the 18-year period (1990-2008) to track trends in attitudes across time. The other was a qualitative study involving interviews and focus groups with 87 New Zealanders from a wide range of backgrounds that was conducted between 2007 and 2008. This attempted to document contemporary attitudes to social citizenship (the guarantee of basic rights to health, education, work and welfare) and to help explain some of the ambivalent trends found in the quantitative data.

In essence, the paper indicates that there is some hope for gaining public support for resisting significant changes to welfare. Just as asking a research question in differing ways garners varying responses, there is evidence that the way in which we frame policy 'problems' and 'solutions' matters when it comes to public responses to policy (Bacchi 2009). Lakoff (2004), in particular, writes about how the framing used to discuss policy issues can reinforce ideas in unintended ways. He uses the example of the 'elephant in the room' - the more you ask someone *not* to think of an elephant, the harder it is for them to think of anything else but an elephant! He highlights the importance of finding alternative framings for debate about welfare rather than simply responding to the ideas offered by the current government - for example, rather than reinforce the current government's interest in an insurance-based model to welfare, this forum has chosen not to address this issue but rather to frame the debate in terms of how we might better link welfare, employment and family policy to achieve better outcomes for families. This paper aims to offer some insight as to how we might reframe the debate.

### ***The 'welfare state' and 'welfare rights' are still important to New Zealanders***

The first important finding from the public attitudes studies is significant evidence that the terms 'welfare state' and 'welfare rights' still have strong currency as government responsibilities in the minds of New Zealanders. There is also a lesser but still significant belief that 'jobs and wages' are within government's ambit of responsibility. For instance, 82% of my qualitative participants agreed in some way with the statement that 'government should make sure everyone is provided for'. When asked specifically what activities they thought should be a government's responsibility, the most common responses by far were those I have categorised as 'helping the needy' (66%). This includes specific discussion about income support payments and the Accident Compensation Corporation, as well as more general comments about assisting those who cannot help themselves through sickness, injury or bad luck. After 'health' (61%) and 'education' (52%), another 37% mentioned 'decent work/wages', 30% said 'housing' and 24% of my participants gave responses categorised as 'ensure basics are affordable'.

There is also evidence that aspects of the welfare state are still conceptualised within a 'rights' framework. When asked to name the rights they associate with New Zealand citizenship, they were far more likely to name 'health' (54%), 'education' (44%), 'basic needs met' (34%) and 'welfare entitlement' (31%) than traditional notions of citizenship associated with political or legal rights of citizenship, such as 'freedom of speech' (17%), 'vote' (16%), 'legal' (15%) and 'passport/diplomatic protection' (13%). However, it is important to note that some participants resisted the language of 'rights' because they associated this with an improved voice for Māori, women and children – shifts not everyone feels comfortable with.

These qualitative findings are supported by NZES data, which cover a much larger and more representative sample of New Zealanders than my qualitative study. Figure 1 indicates that 78% of NZES respondents in 2008 supported the idea that 'government should provide free health care'. Notably, support for this statement dropped from 76% in 1993 to 65% by 2005, but rose again after this. In contrast, support for 'government should increase spending on health' grew from 70% in 1990 to 86% in 2002, before dropping to 79% in 2008 (NZES 1990; 2005; 2008). In both cases, there was *greater* support in 2008 than 1990 and attitudes seem to have been influenced by the worsening economic conditions in 2008.

<b>Figure 1: Support* for 'government should be responsible for providing ...', 2008</b>	
Free health	77%
Free education	76%
Jobs for everyone who wants one	61%

Source: New Zealand Election Study (2008) \* Refers to 'agree' and 'strongly agree' responses

The same figure shows that in 2008, 76% of NZES respondents supported the idea that 'government should provide a free education from preschool to tertiary education'. Although support for free education dropped more dramatically than for free health, from 81% in 1990 to between 64-68% in the 1990s and early 2000s, it again had risen to a similar level by 2008. Support for 'increased government spending on education' rose steadily from 64% in 1990 to 81% in 2002, before dropping to 70% in 2008 (NZES 1990; 2005; 2008). As with health, there seems to be an inverse relationship between support for free education and a desire for increased education spending, indicating these two things are not necessarily linked in New Zealander's minds.

Finally, Figure 1 demonstrates that in 2008, 61% of NZES respondents agreed or strongly agreed that it is 'government's responsibility to provide jobs for everyone who wants one'. This is very similar to the level of support reported in 1990 (60%), although it was slightly higher in 1999 (65%) and slightly lower through most of the 1990s (57%) and in the early 2000s (56-59%). The minimal variation across the 18-year period suggests support has remained steady and strong for the idea that government has some responsibility for employment (NZES 1990; 1993; 1996; 1999; 2002; 2005; 2008). This is despite significant employment relations and trade regulation reforms that have reframed employment as both something largely beyond the control of national governments (due to globalisation) and as an individual responsibility (e.g. upskilling or retraining to meet the demands of a globalised economy).

Nonetheless, it is clear that New Zealanders consider health and education a greater priority than jobs; indeed, results from other NZES questions suggest that they may have come to support (or at least accept) many neoliberal reforms regarding the economy, but the same *cannot* be said for social issues. This is highlighted further in the next section.

### ***New Zealanders are still willing to pay tax for key aspects of the welfare state***

In addition to indicating New Zealanders still support the welfare state, NZES data further

demonstrate that they are willing to pay tax to support it. This may come as a surprise given our two largest political parties have placed tax cuts on the electoral agenda in recent years (e.g. Key 2005). In fact, tax cuts are a classic case of Lakoff's (2004) 'elephant in the room', with the Labour Party simply adopting the same language about tax offered by the National Party's promises of tax cuts in the election campaigns of 2002, 2005 and 2008 instead of offering an alternative language (and policy solutions) that addressed concerns, for instance, about our relatively low-wage economy or the need for spending on social services. The NZES data suggests an alternative framing may have worked. It is true that when the NZES asked whether respondents agreed with reduced taxes as one means 'to help solve New Zealand's economic problems', support for tax grew dramatically from 36% in 1993 to 73% in 2008. But when respondents were asked whether 'government should reduce taxes and people should pay more for their own health and education', support grew only from 19% in 1993 to a high of 48% in 2002, before dropping again to 24% by 2008 (NZES 1993; 2002; 2008). That only a quarter of 2008 respondents agreed with this latter question regarding tax, compared to that referring to solving New Zealand's economic problems, suggests that the desire for tax cuts remains conditional on social concerns – even when the economy is bad.

However, it is important to stress that support for the welfare state and a willingness to pay for it through taxes does not mean New Zealanders necessarily support the idea of 'redistribution', at least not when that particular word is used. Only 10% of my qualitative participants named 'redistribution' as a government responsibility, while support for the notion that 'government should redistribute more wealth from the rich to ordinary people' dropped dramatically amongst NZES respondents from 49% in 1993 to 29% in 2005 (NZES 1993; 2005). This corresponds with British evidence that the 'R-word' (redistribution) no longer garners public favour as a principle, even if in practice the public may still support the kinds of activities that we would regard as redistributive (Orton & Rowlingson 2007). In particular, Orton & Rowlingson (2007) found that people who believe hard work is the key to success (an idea central to the neoliberal ideas we have been subjected to over the past two decades) tend to be less supportive of redistribution. We need, then, to think of an alternative way of discussing the way in which we can support our most needy through the tax system.

One possibility might be to focus on the issue of 'income equality', which appears to provoke greater (if not overwhelming) concern amongst New Zealanders. In 2008, 56% of NZES respondents agreed 'differences in income in New Zealand are too large' and only 13% disagreed. In addition, only 18% agreed that 'large income differences are necessary for New Zealand's prosperity' in the same year (43% disagreed). Perhaps the most important thing to note here are the significant numbers (30-40%) of respondents who offered neutral, 'neither' or 'don't know' responses to these questions (NZES 2008). My qualitative research suggests that people often find it difficult to answer these abstract questions in surveys and that their responses change when a more specific context is offered.

In Britain, research has found the public are more concerned with high incomes and those considered to be over-paid, rather than those on low incomes or are underpaid (Orton & Rowlingson 2007). There is some evidence in the qualitative study that this may also be true in New Zealand, which is a challenge for those of us who want to talk about the latter, in particular the ways in which welfare changes may impact on poverty and deprivation in New Zealand. But Orton & Rowlingson (2007) suggest that framing our concerns as 'economic inequality' or 'income inequality' may be more successful for gaining support for resisting reforms to welfare than talking about 'poverty' (Orton & Rowlingson 2007). In the New Zealand context, the notion of 'fairness' could be an important underlying value to highlight; my qualitative study indicated it had strong currency in people's minds and we could use it to help explain why we should continue to have a strong welfare system that supports people in need. Yet, because it is also associated with notions of deservingness, as noted in the next section, we would need to be

careful before focusing on 'fairness'. As Guyon Espiner (2010: 94) noted in his recent article in *North & South*: "The Bennett welfare reforms are about politics, plain and simple. The Government knows voters hate the idea that others might be ripping them off and few will have a clear idea of whether that is actually true or whether the solutions put forward will actually work". The impact this lack of knowledge has on attitudes is important and is also discussed in the next section.

***New Zealanders' views on the deservingness of some groups over others are not entirely rigid***

The New Zealand welfare state has always been based on strong notions of 'deservingness' (Humpage & Craig 2008), which are determined by an interpretation of whether the cause of need comes from individual behaviours or broader structural changes, such as in the economy (Park et al 2007). These ideas about the 'deserving' and 'non-deserving' are reflected in public attitudes. Figure 2 illustrates this, showing that in 2008 New Zealanders offered greater support for 'old people' (94%), a group who have traditionally been regarded as very 'deserving' because old age is inevitable and comes to us all, than the 'unemployed' (53%). This latter group has traditionally been regarded as less 'deserving' because unemployment can result not only from structural causes but also poor individual behaviours. In addition, the number of New Zealanders who agreed that it is the 'government's responsibility to ensure decent standard of living for old people', was exactly the same in 1990 figure, with virtually no movement in the intervening years (NZES 1990; 2008). In contrast, support for the idea that it is the 'government's responsibility to ensure a decent standard of living for the unemployed', was also the same in 1990 as in 2008 but rose dramatically in the early 1990s, with 69% of respondents supporting this statement in 1993. Support remained high (65-66%) during the 1990s, before dropping significantly (53-56%) in the 2000s. While these trends indicate that support for the 'unemployed' is more volatile than for 'old people', it also makes clear that public attitudes towards the former are far from rigid. Support increases in times of economic downturn and decreases when the economy improves, suggesting that unemployment is not perceived as something individuals have control over in this context – although though they may when the economy improves (NZES 1990; 1993; 1996; 1999; 2002; 2005; 2008).

The second survey question reported in Figure 2 demonstrates that the same trend occurs with questions regarding support for government spending.

<b>Figure 2</b>	<b>Long-term trend</b>	<b>2008</b>
<b>Support* for 'government should ensure a decent standard of living for ...'</b>		
Old people	Steady	94%
The unemployed	Same in 2008 as in 1990 but increased (65-69%) through 1990s	53%
<b>Support* for 'government should spend more on ....'</b>		
Assisting people with low incomes	About same in 2008 as in 1990 but increased (to 46-54%) early 1990s-early 2000s	38%
Domestic Purposes Benefit	Increased slightly during 1990s	-----

Source: New Zealand Election Study 1990-2008; (Perry & Webster 1993; Perry unpublished 2004)

\* Refers to 'agree' and 'strongly agree' responses

When asked if 'government should spend more on assisting people with low incomes', 37% supported the statement in 1990, almost exactly the same as in 2008 (38%). But support was much higher (46-54%) during the intervening years when the economy slowed and there were government cutbacks. Although we do not have data for support for government spending on the Domestic Purposes Benefit (DPB) for as many years, there is evidence to show it rose slightly between 1989 (13%) and 2004 (17%) (Perry & Webster 1993; Perry unpublished 2004).

Although recipients of the DPB have tended to be viewed less positively by the public than the elderly and the unemployed, it appears that public concern about this group (and/or their children) grew during a significant period of reform when they were a target of the focus National governments placed on 'welfare dependency'. This finding contradicts expectations and demonstrates, again, that the public's views become more empathetic during poor economic conditions.

In addition, there is evidence that the public are aware benefit recipients are not treated as equally as other citizens in New Zealand society, which jars against the 'egalitarian ethos' that has been evident historically. In 2007-2008 a clear majority (71%) of my qualitative participants agreed that 'people receiving social security benefits are made to feel like second class citizens' and a further 19% answered 'sometimes/maybe' (only 12% disagreed). When asked *why* beneficiaries might feel second class, the most common responses were related to the treatment of beneficiaries by 'Work & Income/Accident Compensation Corporation officials and policies' (48%) and another third (33%) said 'stigma'. These both focus on structural causes for benefit recipients feeling 'second class'; only 13% offered a more individualised reason, saying benefit recipients felt 'second class' because of 'low self-esteem'. It is also important to stress that only 3% of participants thought it *appropriate* to make benefit recipients feel as if they are 'second class', while 41% said it was definitely not appropriate.

However, 55% of participants said that it was 'sometimes/maybe' okay to treat this group as second class citizens. This figure seems to be related to further evidence suggesting an increase in support for conditions being placed on the benefit receipt of many groups of unemployed people. Between 1999 and 2008, support for the idea that 'the unemployed should have to work for their benefit' increased from 68% to 75% (NZES 1999; 2008).

The number of people regarding 'laziness' as the main reason 'why people who live in need are poor' also grew from 38% to 60% over the period 1989-2004 (Perry & Webster 1993; Perry unpublished 2004). But in 2008 only 38% said 'laziness'; this still outweighed structural arguments (22% saying need was caused by an 'unfair society') but again indicates that the start of a global recession may have reassessed their views on individual agency. This may also explain why the number of respondents who said 'welfare benefits make people lazy and dependent' stayed steady (62% in both 2005 and 2008) instead of increasing as one might have expected, given both the responses to questions regarding working for a benefit, and the re-emergence of political rhetoric around 'welfare dependency' after the National government took office.

### ***Most New Zealanders know little about welfare politics – and thus rely heavily on the cues given by government on this issue***

Although the above findings indicate, once again, how public attitudes shift when the economy is poor, my qualitative study also found that such mixed attitudes may also result from an extraordinary lack of knowledge/interest around welfare politics. Of my 87 qualitative participants, 60-70% had little or no awareness of politics or welfare issues. This was particularly the case for welfare, with only 9% being coded as demonstrating a 'strong' awareness and 22% having 'some' awareness of specific policies and their impact.

More specifically, around a third of my qualitative participants strongly agreed with work-for-dole, work tests or other conditions being placed on benefit recipients. Yet, further questions revealed most had no idea what these actually entailed, forcing me to give quite detailed examples before they could make some kind of response – and even then many provided very ambivalent answers. For instance, they would say 'yes' they supported 'work-for-dole' in principle but did not think the version of this implemented between 1998 and 2001 was

successful. This highlights the difference between public support for something in principle and in practice. In addition, when asked about their own thoughts on 'how we might encourage greater individual responsibility?', very few favoured these kinds of conditions. The most common response was 'education' (45%), then 'incentives' (31%) and 'role model values' (21%). Only 18% of responses were coded as 'sanctions', which included the kinds of conditions placed upon benefit recipients as described above.

Perhaps more tellingly, 88% of my qualitative participants agreed in some way that 'people should take more responsibility to provide for themselves', even though a similar number (82%) had said they supported the statement 'government should make sure everyone is provided for'. This seeming contradiction can be explained by disentangling what New Zealanders mean by notions of 'individual responsibility' from the ideas promoted through government policy. The latter places great emphasis on paid work as the ultimate sign of being 'responsible' but when my participants were asked what activities they thought individuals should be responsible for, only 28% said 'work' and another 22% said 'tax'. This suggests that paid work as a form of individual responsibility is within the public consciousness. But 'disciplining/teaching own children' (37%) and 'care for family' (34%) were the most popular responses to this question, indicating 'family' was their biggest responsibility from their perspective.

Although the timing of the focus groups and interviews (as the repeal of Section 59 of the Crimes Act 1961 was debated) may have influenced these findings, it is notable that participant responses were coded into 23 different categories of activities they considered to be an individual's responsibility. This suggests that there was no one dominant view of what this means; a notable example is the way in which many Māori participants interpreted the idea of taking greater individual responsibility in terms of improved Māori self-determination over all things Māori. As such, public views - for instance regarding the unemployed working for their benefit - may not have been captured by neoliberal ideas as much as they might seem from the quantitative NZES results.

Similarly, when the qualitative participants were asked what conditions people might need to feel 'first class' (i.e. valued and equal citizens) in New Zealand, the most common responses were: 'respect/kindness' (30%); 'basic needs met' (24%); 'money' (23%); 'feel valued' (20%); 'self-esteem' (18%) and 'education' (14%). These draw quite heavily on social rights and human rights discourses, while only 8% drew on neoliberal ideas and said 'to work' was important. Troublingly, however, when participants were asked if *they* felt like a 'first class' citizen, many found it difficult to answer and some even resisted labelling themselves this way because they did not feel comfortable with the concept of 'class'. However, similar numbers of participants responded 'yes' (34%), 'sometimes/maybe' (30%) and 'no' (32%). A small minority said 'don't know' (4%). It is notable that participants from a range of different backgrounds in New Zealand (even those we might consider 'privileged') appeared to feel undervalued. Much of this seemed to be associated with low wages, a user-pays system and, to a lesser extent, a lack of true democratic consultation by government. While we might hope that this sense of their own disadvantage would make them more empathetic towards those who are truly in need, in many participants it seemed to inhibit their ability to consider the plight of others who were worse off than them. This is obviously a major barrier, particularly when notions of 'deservingness' are still strong.

### ***Conclusion – where to from here?***

This paper has offered some hope for resisting the current raft of welfare reforms but also some warnings about the kind of framings we might use when offering alternative ideas to those promoted by government. My research on public attitudes to the welfare state and social citizenship has found:

1. Social issues seem to matter more to New Zealanders than economic issues, so it may be easier to argue against the welfare reforms than planned employment relations reforms, if we manage to frame the 'problem' in a way to which as many people as possible can relate. This is because social distance discourages empathy with groups who are different (due to ethnicity, class or other characteristics) to our own and because many relatively privileged New Zealanders feel undervalued in society. My New Zealand research suggests that a focus on the impacts welfare reforms will have on *families* might be a starting point, as all New Zealanders can relate to this, no matter what their background. British research has also found that providing concrete examples of how specific elements of how a person's life form the whole experience of being 'low income and low opportunity' (due to low/insecure wages, poor housing, unfair taxation etc) may be more successful than simply talking of the 'poor' or 'benefit recipients' (Castell & Thompson 2007).

2. New Zealanders seem to be more supportive of welfare issues in times of economic recession, so we could build on any remaining concern about the global financial crisis to garner support for resisting welfare reforms. British research suggests that the best approach might be to target those who feel close to poverty themselves, teachers and other front-line workers who see poverty when at work and affluent individuals who have an open and generous conception of welfare state (Castell & Thompson 2007).

3. Using the word 'redistribution' may work against our goals, even though there may be support for redistributive-type policies in practice. Framing our concerns in terms of economic inequality, 'income inequality' or 'fairness' may be more successful than referring to 'redistribution'.

4. We should definitely be concerned that quantitative surveys have found people increasingly favour individualistic causal factors for poverty and support conditions on benefit recipients like work-for-dole. But it is likely that many people agree with these ideas simply because they are the only or dominant ones around. In practical terms, they seem to favour a mix of education and incentives rather than more draconian obligations and conditions.

5. A lack of knowledge, understanding and interest regarding welfare politics is a major factor that influences public attitudes, particularly towards benefit recipients. British research indicates that a step-by-step approach is necessary and that a change in attitudes is not possible until there is first a baseline awareness on the topic (Castell & Thompson 2007). In that they find it hard to deal with the abstract, the public needs detailed examples of what impact any welfare changes will have on specific individuals and families. Orton & Rowlingson (2007) argue that cross-national comparisons can be useful because the public often does not know where their own country sits relative to others. However, there is a risk in doing this, because some statistics might work against us (for example, that we have very high sole parent rates or that replacement rates are often more generous than those overseas). However, we can certainly draw upon positive examples of what is *working* elsewhere as a way of gaining support for alternative policies in New Zealand.

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## Political realities and strategies: a brief reflection on today's forum

*Sue Bradford*



**Sue Bradford** was a Green Party MP from 1999 till 2009. Sue is married and has 5 children. She currently lives in Mangere, in Manukau City. Before becoming an MP Sue was a community development worker and political activist in the unemployed and beneficiaries movement from 1983 – 1999. She has been an activist on social justice, peace and womens' issues from 1967 until the present day. Sue is a member of the Alternative Welfare Working Group and was the inaugural recipient of the CPAG Children's champion award for the parliamentarian who has worked hardest for children.

### ***Political Realities and Strategies:***

First of all, I would like to say thanks very much to everyone involved in organising today's workshop. It's been a great day, and I've really enjoyed the depth and variety of input we've had. I'd also like to say a special thanks to our Australian speakers - at this time it is more important than ever that we hear news of what is really going on across the Tasman, some of which worries me deeply.

I have to say that the best thing Paula Bennett has done in setting up the Government's Welfare Working Group is that the process has opened up a badly needed debate on welfare reform in this country. I don't think any of us in this room see the current framework of social security as perfect – it's just that the type of reform we want is somewhat different than that being proposed by what we've seen so far from the Government.

On this note, I'd also like to say a word of thanks to Paula Rebstock for having the courage to speak to us this morning – I'm under no illusions about how difficult that may have been for her, and it was important that her and the Working Group's voice was in the room with us as well.

The big question that we face, of course, after hearing all the presentations today, is, without feeling like it's all too much, too hard, or too depressing: 'how do we go forward from here?' I've got a few ideas, which I'll share with you now – and hope I don't travel too far down the depressing side of things. It is, I will be the first to admit, quite easy to become demoralised in the face of what is actually going on right now.

The first opportunity we have in looking ahead is, of course, that presented by the Government WWG itself. Those of us who care deeply about our country's welfare system need to try and impact on them and their processes. Do they really know what's going on in Work and Income offices? Do they understand the impact of the increased harassment and work-testing of DPB, sickness and invalids' beneficiaries, even at the level that it is already happening? Why don't they seem to understand the essential connection between increased work testing of the sick and injured and the fact that we've got high and rising unemployment?

We should make submissions to them, both in time for their first deadline of 17 September, and also after they present their second official paper in November.

Then of course we've got Welfare Justice: the Alternative Welfare Working Group, of which Mike O'Brien and I are members, along with four others – Paul Dalziel, Wendi Wicks, Mamari Stephens and Bishop Muru Walters. This is a totally separate process, not part of Government at all, I can assure you. Submissions to our group close on 30 September, and we are more than happy to send your submission on to the Government group as well, if you want.

Welfare Justice is just a temporary group, with a minimal amount of funding – compared to the Government’s group which I understand has a budget of over a million dollars. For her work on it, Paula Rebstock gets perhaps \$1200 a day. We are a very different kettle of fish, operating with mainly volunteer labour and lasting only until December, when we will present a substantial formal report to the Minister, and to the media and public.

We are holding a series of consultation workshops around New Zealand. The next Auckland one is at the Manurewa Marae, 10.00am 20 September, and anyone interested is welcome to attend.

In both these workshops and in our submission guide, which is up on our website, we are asking people to imagine the welfare state they’d really like to see, and to tell us what principles they’d like to have guiding its underpinning values and operations. What would it look like? We’re asking people to dare to think that through and paint a picture of what a much improved social security system might involve.

I’d like to particularly acknowledge Keith Rankin for his contribution today – it’s great to have someone putting forward new ideas about alternatives and solutions, and I can see Keith has developed his thinking considerably since I last worked with him in the 1990s.

However, in looking at the big picture, it’s clear that contributing to the two welfare working groups isn’t enough, there is a lot more that needs to be done – apart from which, both groups are just temporary entities anyway. We have to consider what we’re up against. The ideology of the Government’s latest moves through the Future Focus legislation and the brief it’s given its own working group is not a mistake, it’s not something that’s casually arisen. It’s deliberate, and it’s evil.

The drive toward paid work at almost any cost revolves around a tolerance of inequality and a deliberate ideological push towards cutting the costs of welfare, even when it harms some of our most vulnerable citizens, and their children. The Government and its supporters have consciously adopted all the negative discourse around the poor, Māori, young people, sole parents, people with or recovering from mental illness, beneficiaries, and so on, and are expecting the media and public just to roll with it, as they always have.

I will just take one moment here to offer a message and a challenge to any Labour Party members or supporters here in the room today. From my point of view, your Government was just as culpable during the 2000s in laying the groundwork for what’s happening now, with the Social Security Act amendments aimed at getting sole parents out into paid work, and with the entrenching of discrimination against the children of beneficiaries through Working for Families. You have a particular role to play in trying to change the policies of your own party so we don’t have the same sort of thing happening again the next time you lead a Government.

We have to work increasingly to find more ways to speak our truth to the power of Government, whichever of the major parties is in charge. There has been a lot of talk from some of our speakers today about the importance of messaging – yes, we do need clear, short, direct messages which give another picture to the very effective messaging emanating from those who talk about things like benefit dependency and the unsustainable cost of welfare.

We need to take on directly the hegemony of the negative ideology that underpins the Government’s reforms, and build our own groups and networks which are able and willing both to fight back, and to build for a better future.

We should extend our alliances and coalitions, taking actions ourselves, and supporting the actions of others. As part of this, some of us also need to be involved in maintaining and

developing our own organisations which show a way forward based on principles like compassion and solidarity, building for a better future within a rotten system.

The human toll of what is happening is already enormous. This is a very political struggle, not an academic debate – but academics of course also have an important role to play, with acknowledgements to all of you. Thanks again to everyone here for being part of our discussions today, and I look forward to talking and working with you more in the months ahead.

## Final Summing-up *Susan St John*

I began by suggesting that we have been caught up in the rapidity of change in the 21<sup>st</sup> century. It was time today to step outside the whirlwind of technology, new social and economic relationships and all the risks we face in an uncertain world and ask some fundamental questions about our values.

Our Australian speakers have contributed enormously to the debate. We have to hope that the dialogue will continue and we learn from each other. For too long New Zealand has tended to look to the US or the UK and ignore what happens in Australia.

First today, Paula Rebstock filled us in on the work of the Welfare Working Group. Valuable as that is, it is looking at welfare from one frame, that of dependency with the cure seen as paid work. In the context of a worrying lack of jobs, we don't appear to be focusing at all on the nature of work in the 21<sup>st</sup> century.

Paul Smyth took us on a journey of discovery about fundamental social thinking in Australia. He talked about the Big Society, Social Investment and the concept of Social Inclusion. Social Inclusion is not to be thought of in the narrow 'Third Way' where social inclusion is only through paid work. Society needs people to work but in meaningful jobs at good rates of pay and conditions that allow parents to care for their children.

Peter Saunders talked about how the debate is shifting from arguments about poverty lines to the need to measure deprivation. As in New Zealand, aged pensioners have been supported well but those with high levels of disability, sole parents, and the unemployed have lower payments and consequently more deprivation. Let us remember this message: lower payments = more deprivation.

Peter also debunked the myth of the choice of the welfare lifestyle. His comment that "actually people on welfare don't like it" won applause from the audience. Life on the safety net is connected with low capacity suggesting at very least the need for good healthcare access for those on benefits. In similar vein he pointed out that not all jobs are good, and bad jobs are more like welfare. Changing benefits won't help overcome barriers but the school and neighbours are VERY IMPORTANT. **Flexicurity** is a concept New Zealand needs to debate.

Eve Bodsworth also reminded us NOT ALL JOBS ARE GOOD JOBS. The conversation about welfare that suggests "work is the solution" has not changed under Labour. Eve talked about internalisation of the ideal of paid work, even by and for sole parents. Welfare to work policies for sole parents are similar to New Zealand reforms. The emphasis on work has gone further in Australia by shifting a sole parent from the Parenting Payment to the equivalent of an unemployment benefit once the youngest child is 8. In New Zealand, we need to be aware of this possibility that denies the opportunity cost of time at expense of the child, and does not take into account the loss of valuable unpaid work.

There is a fundamental lack of attention to the work of parenting at all ages of children and a lack of flexibility. The hours of work required are much too rigid and do not reflect the reality of the labour market.

In the afternoon Paul Callister changed conversation to focus on male employment and asks why with more youth unemployment is the focus on sole parents with young children who are already working? Like other speakers he sees reform of labour market as a critical issue but not in the direction of more casualisation and reduced working conditions. Some issues we need to be mindful of are the importance of public sector employment which with cut backs begs the question; where are the jobs coming from? Are older people squeezing out the young? How can

the labour market be reformed to reflect changes to the traditional family type, an issue even more critical in a recession when pressures may force families to split up

Cindy Kiro had a very important yet simple message. Being Maori is not the problem, it is the lack of investment in children. Such investment is enlightened self interest. Kay Brereton tackled the idea that beneficiaries are gaming the system in a sophisticated way to maximise their position. As she stressed we must challenge negative stereotypes and confront the nasty irony of a doctrine that has echoes of the 'work will set you free' philosophy. The alienation of the unemployed increases with a lack of support and basic unkindness. Some newly unemployed are tragic cases and there has been a brutal use of investigation of 'cheating' when they are trying to survive. Like other speakers she lamented that parenting is not respected as work nor care-giving. Wealthy New Zealand has insulated itself from the hardship of lives of beneficiaries.

Keith Rankin reminded us that we are all beneficiaries and as many speakers suggested we are all interdependent. He has some more radical solutions to the welfare mess. Louise reflected on her research and the paradigm shift needed for a 'citizen's rights' approach. She reassured us that there are still some New Zealanders with empathy and belief in the welfare state. Conscious of the power of language, she suggests we need to reframe and change from talk about redistribution to talk about citizen rights, and reducing economic inequality.

Sue Bradford acknowledged Paula Rebstock and thanked the government for opening up debate: – welfare reform is badly needed. The Alternative working group needs support. Manaku Henare saw some salvation in the concept of Whana Ora.

Chris Trotter challenged the forum with the question: "how much misery are we prepared to endure?" He lamented the fact that 2010 feels like 1991 all over again, saying: "it is time to get angry".

We hoped today we would start a conversation on a deeper level. Thanks to our speakers we have achieved that. It is good for New Zealand to listen to Australian colleagues abroad. Peter Smyth's reflections on the forum were noted in the preface. We need to move beyond our current immersion in the kind of 'welfare war' which Australia experienced back at the turn of the century, and develop a vision for welfare reform that is equitable and inclusive, as well as efficient and affordable.

"Participation and belonging" are still worthy goals for us to aspire to for the whole of society. A dialogue of social inclusion must replace the current approach of 'them and us', 'insiders and outsiders', 'deserving and underserving'.

## BACKGROUND PAPERS:

### **The Social Laboratory**     *Ian Shirley*



Paper presented at 'Reviewing Welfare and Social Sector Reform' Conference, Wellington, 21 June 2010, by Ian Shirley, Professor: Institute of Public Policy, Pro Vice Chancellor: Office of the Vice Chancellor.

**ABSTRACT:** Over the past 150 years New Zealand has on occasions proved to be one of the most socially innovative countries in the 'developed' world. It was New Zealand's distinctive approach to social policy in the Liberal period which led to its designation as a 'Social Laboratory' and this reputation and designation has been reiterated on at least three subsequent occasions. This presentation will examine the social laboratory within the context of a radically changing environment and a significant social deficit. In order to address this deficit, social policy reforms will need to confront the country's population profile (especially its social and cultural diversity), the changing patterns of families and households and the way in these systems intersect with economic and social policy.

#### ***Introduction***

New Zealand's reputation as one of the most socially innovative countries in the 'developed' world first emerged in the latter years of the nineteenth century. It became a self-governing democracy in 1856 and in 1893 it was the first in the world to grant universal suffrage to women. When commentators refer to New Zealand's social welfare history they usually identify the Old Age Pensions Act of 1898 as the most innovative legislation of that time.

Yet in retrospect there is little doubt that it was the Industrial Conciliation and Arbitration Act of 1894 which captured the attention of the global community and first led to this country's designation as a Social Laboratory. The IC & A Act provided a system for the settlement of industrial disputes, encouraged the formation of Trade Unions and guaranteed a basic minimum wage.

New Zealand writers describing the thinking behind the legislation wrote of a theory of fair wages sufficient to give the worker a decent living according to the colonial standard. Since the average 'worker' of the time was male and since 'normal needs' encompassed domestic responsibilities, the fair wage was soon defined as being a 'family wage' sufficient to support a wife and two or three children in a reasonable standard of comfort. In this way the social policy provisions of the time were directly integrated with the wage fixing procedures of the state. The family wage not only established a basic minimum income for the majority of households, but it protected wage rates and conditions and it included provisions for sickness leave and overtime (Shirley et al, 1997).

#### ***The Social Wage***

The second phase in the development of the social laboratory occurred in the wake of the great depression. The Family or Social Wage not only underpinned the provisions of the 1938 Social Security Act, but the wage itself was extended to encompass the provision of free primary and secondary education, a community-based preventative health scheme, a salaried medical service, a free public hospital system and a state housing programme for those who could not afford a home of their own.

If the regulation of wages was a corner stone of New Zealand's welfare state arrangements, then a second fundamental element was full employment. In contrast to the European and

Scandinavian countries' welfare states based on extensive systems of income maintenance and social insurance, the organising principles of the New Zealand approach to social policy centred on the industrial court, the provision of a social or family wage and the participation of male workers in the labour market. Those outside the waged majority were protected by a means-tested and selective system of social benefits. Bill Oliver describes our attitude to those on benefits at the time as one of 'benevolence, discipline and the deserving poor'.

The combination of a family wage and full employment distinguished and dominated the development of the New Zealand welfare state for almost fifty years. Home ownership was particularly significant, both as a stabilising influence and as a central element in a family's economic and social security. Within the context of the family wage it attached a 'man' firmly to a job, a piece of land and to a social group – it established a base for 'his' family and so to a network of neighbourhood institutions such as church, school and voluntary society. In national terms, the high wage rates which were achieved because of the relative affluence of the country, led to high levels of private home ownership, with mortgage repayments serving in effect as a major form of retirement security.

### ***Welfare State Achievements***

By any standards the level of welfare achieved in the immediate post-war period was exceedingly high, with increasing affluence of New Zealand's population reflected in consistent rating among the world's top five wealthiest nations. The country was socially and politically stable and for over thirty years maintained a remarkable record of full employment, with trading fortunes based essentially on domestically produced primary products for the British market. It was a trading relationship that provided a guaranteed market for a narrow range of staple products such as meat, wool and dairy produce.

The economic policies of the post-war period concentrated on insulating New Zealand by means of protective tariffs, the imposition of import licences and the provision of subsidies for farming and manufacturing. The stable environment was reflected in the labour market which was characterised by occupational mobility and which in turn contributed to the public perception of a classless society.

I grew up in a generation in which my father had a paid job and my mother provided unpaid work in the home as well as voluntary work in the community. The family wage paid to my father was supplemented by the government in the form of free education and health services for all members of the family. When I left school the most difficult task I faced was deciding on a job or career because the country had full employment.

The state provided in effect a 'social contract' between the generations which was fulfilled by my parents when I and my brothers were growing up and which was reciprocated when my parents later lived with members of the family. It was a family and an environment that placed a high premium on values such as justice, integrity and social responsibility.

The third party to the contract (the government) played a very significant role in supplementing the family wage and in reinforcing economic and social security. It was a contract that delicately balanced affection and duty, trust and security, love and reciprocity. Individuals had the freedom to develop in their own unique way, but this individual effort was tempered by respect for others. We learnt that cooperation was essential for the economic and social well-being of all.

### ***Economic Vulnerability and Decline***

The environment that produced this distinctive approach to economic and social security gradually changed through the 1960s and 1970s highlighting New Zealand's economic



vulnerability. As Britain forged closer links with the European community, New Zealand's long-standing role as the British farm in the Pacific was undergoing a major transformation. Despite policies aimed at diversifying New Zealand's export base, the value of foreign trade declined.

The increasing gap between export receipts and import prices was influenced by external factors such as the oil crisis (1973) and the actions of overseas governments who sought to protect their productive sectors. At the same time overseas markets set new requirements for primary industries such as dairying and meat, which imposed additional costs on the processing of these commodities. Synthetic substitutes for wool and butter and alternative red meat products directly affected New Zealand trade.

In response to this changing international environment, the economy was slowly opened up to overseas competition by the dismantling of some import controls and by means of incentives which were designed to strengthen the export potential of both the agricultural and manufacturing sectors. This was a market driven restructuring programme supported by government policies in taxation, investment, research and development.

Industry was reorganised through mergers, takeovers and amalgamations thus increasing the size of plants and in some instances changing the basis of ownership from individuals to one of interlocking company ownership and control. Despite these amalgamations our productive units remained small – an important fact whenever we consider development options in New Zealand.

The viability of the Family Wage also declined at this time alongside a major transformation in demographic patterns. Households responded to the decline in the value of the family wage by expanding household income through multiple jobs and part-time employment. Women entered the paid work-force in increasing numbers thereby accepting a 'double load' encompassing both paid work and domestic labour.

### ***Policy Responses to Economic Vulnerability and Decline***

Policy responses to economic vulnerability were first focussed on 'indicative planning' based on setting national targets for production, export, labour and capital. As the global crisis deepened in the 1970s, government embarked on a programme of substituting domestic energy-related commodities. The capital intensive development programme (Think Big) was based around industries such as petro-chemical production, electricity generation, aluminium smelting, the manufacturing of steel and the processing of forestry products. Think Big was a major factor in New Zealand's growing external deficit.

Social policy at this time was characterised by incrementalism. There was a continuing commitment to full employment, (at least in the rhetoric of government) and a belated attempt to address the falling value of the family wage through a freeze on prices and wages. Equal pay legislation was introduced thereby acknowledging the changing parameters of the labour market and at the same time families were able to capitalise the family benefit, an initiative that was aimed at facilitating home ownership. The introduction of Accident Compensation was perhaps the most innovative welfare reform at this time. It was lauded as a landmark in the development of the welfare state and reinforced New Zealand's reputation as a social laboratory.

### ***The Macro-economic Experiment of the 1980s and 1990s***

As the country's indebtedness increased under 'Think Big', macroeconomic policy in the mid-1980s swung dramatically to the right. An international study of the Anglophone countries refers to Thatcherism, Reganomics and Rogernomics as misleading abbreviations for an antiquated version of laissez-faire economics which varied from one context to another but followed nevertheless, a clearly established pattern.

Jobs were cut, incomes were reduced, state services were withdrawn, and the increasing costs of health, education, housing and community care were transferred to families in general and women in particular. New Zealand was the most graphic example from the international study; venturing far beyond any other jurisdiction by adopting an extreme version of economic rationalisation in pursuit of a highly speculative development path.

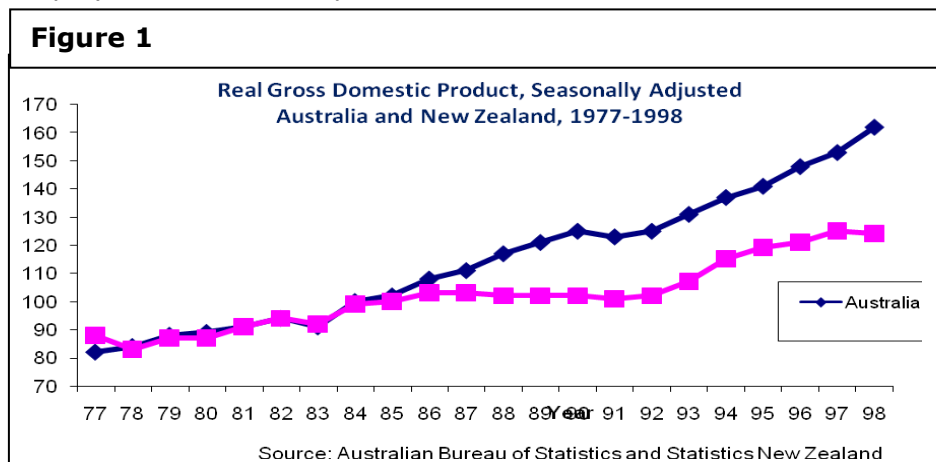
Although the reforms were lauded by a range of Think Tanks and commentators including the Economist which described New Zealand as 'a free market economists paradise with the least distorting tax system of any OECD country, the most liberalised financial markets and the most independent central bank', we know (as the guinea pigs in this experiment) how it impacted on jobs, incomes and services by changing the parameters of social policy and the welfare state.

### **The Cumulative Impact of Economic Rationalisation**

The cumulative impact of these policies resulted in severe damage to the tradeable sector. Profits, employment and investment were all affected and at the same time export growth sharply diminished. Investment in New Zealand manufacturing declined by almost 50% between 1985 and 1989. Major employment areas such as forestry and manufacturing declined by 67% and 21% respectively. The workforce of forestry towns such as Murapara became redundant overnight.

Within 18 months of implementing the programme of economic rationalisation unemployment trebled and by 1991 registered unemployment represented 11% of the total workforce. Long-term unemployment became a serious social problem and because of the segmented nature of both employment and unemployment, the social problem had racial overtones.

An estimated 20% of the Maori working age population lost their jobs in the two years from March 1987 to March 1989. Two years later the unemployment rate for non-Maori aged 15 - 24 years was nearly 20% - for Maori it was approaching 40%.



Exclusion from the paid workforce placed increasing pressure on immediate and extended families and where families were unable to support their dependents, the state became the primary means of income support. As a consequence, government became exposed to relatively high levels of welfare expenditure. In 1981 (apart from national superannuation and the family benefit) almost 115,000 people were in receipt of a welfare benefit – by 1985 that figure more than doubled and by 1992 it had trebled. By 1993, just over one quarter of all dependent children were in households supported by benefits.

Bruce Jesson's assessment of the economic outcomes (with minor qualifications) stands today as one of the most articulate summaries of economic rationalisation in New Zealand:

*A generation ago our economy was controlled by producers – since the mid 1980's it has been dominated by money lenders and dealers. Buying and selling companies became more important than selling products. Economic theologians freed markets where they were controlled by government and they constructed markets where they did not exist, as in the case of electricity. In other areas such as health they simulated markets where markets could*

*not be constructed. Instead of selling products we sold companies and debt and with these assets we sold the income that went with them (Jesson, 1999).*

### ***The Changing Relationship Between Work, Family and the State***

The relations between work, the family and the state which had prevailed throughout most of the post-war period were radically changed. These changes started well before the advent of economic rationalisation as women became increasingly involved in the formal economy and men (with somewhat less enthusiasm) were drawn into the domestic sphere of the household.

The ideology underpinning these reforms was articulated in Briefing Papers prepared by the Treasury in 1984 and 1987. In these papers, society was portrayed as a collection of individuals without any social or cultural identity. Paraphrasing Margaret Thatcher's penetrating intellectual discovery that there is no such thing as society Treasury concluded:

*Families and tribes are not organic entities with mortality, rationality and senses, they cannot feel pleasure and pain - the individual person is the logical basis for (social policy) analysis.*

Human groups, institutions and collectivities of one sort or another were reduced to a world of rational individual beings seeking to maximise their productive capacities. Even concepts such as justice and fairness were prescribed by individual rights and responsibilities with major social policy domains such as health and education reduced to a range of commodities which could be purchased by individuals for their own enhancement and well-being.

In Treasury's terminology, the purpose or function of education was: 'to prepare the individual for his or her economic role'. Education we were told was: 'a private commodity not a public good' (The Treasury, 1987).

The reform programme attacked the assumptions, as well as the mechanisms on which the post-war consensus had been built. Social factors were artificially separated from economic policy, and as a consequence social policy was reduced to a form of Social Plumbing – a placebo that might treat the worst side effects of the economic realm.

With the election of a new government in 1990 these measures were taken to their illogical conclusion. As state expenditure on social security and social welfare increased, so government sought to target its expenditure by narrowing the criteria for benefit eligibility and by reducing state funded services across a range of traditional social policy domains such as education, health and housing. What began with the assertion from a Labour Government Minister that the cause of much unemployment was fundamentally good news, was taken further by the National government through the imposition of benefit cuts and the introduction of market rentals for state housing. It was a combination of policy reforms that cost us dearly as a nation.

The assumptions on which the 1991 benefit cuts were introduced were fundamentally flawed. The formal research by Treasury aimed at determining income adequacy was based on three elements. Firstly, the concept of a 'core family' which has since been abandoned because it failed to make any demographic sense. Secondly, a minimum income level for a family 'based on the average cost of feeding a prisoner' – you can draw your own conclusions to that association. And thirdly, an assumed link between the receipt of welfare benefits and a disincentive to work, which is now seriously questioned on the basis of empirical studies.

Yet despite these glaring deficiencies the benefit cuts were imposed and not only did they produce increasing levels of destitution and hardship, but they also put a series of measures in place which were internationally regarded as the most punitive set of policies of any OECD country designed to make the claiming of benefits less attractive (Gough, 1995).

In the early 1990s Brian Easton and I attempted to measure the economic and social costs of unemployment beginning with personal costs to individuals, families and communities and going on to estimate the costs incurred by society at large. Using Brian Philpott's productivity forecasting model we concluded that 105,000 people registered as unemployed, could be equated with 12.8 billion dollars in lost production to the New Zealand economy. The number of people unemployed at that time was over 300,000.

### ***The Social Deficit***

It is not difficult to understand why we have incurred such a substantial social deficit today. At its core lies the increasing polarisation of households – the significant increase in inequality and poverty irrespective of the measures being used – labour market segmentation that has produced 'work rich and work poor' households – long-term unemployment in working class neighbourhoods (especially among young people) and among Maori, Pasifika and new migrant populations – a resurgence of preventable childhood diseases associated with factors such as material deprivation and over-crowding – and geographic areas that have become sharply differentiated (especially in Auckland) leading to neighbourhoods of choice and fate. This deficit will clearly condition our policy options over the next decade.

### ***Families and Households***

The major shifts in the policy environment that I have briefly outlined today were also evident in the structure of households but these changes in the form and profile of New Zealand families began well before the policy reforms of the 1980s and 1990s. The changes in families and households included:

- major shifts in household type with non-parenting couples becoming more significant
- overall increase in sole-parent families and concomitant decrease in two-parent households
- a significant rise in the number of children born ex-nuptially especially to couples in mid-childbearing ages
- a decline in the rate of formally registered marriages yet when combined with cohabitation, the number of partnerships has remained relatively stable
- a trend toward later marriages and later childbearing, and
- an overall decline in average family size

### ***Family Welfare and Moral Values***

Along with these changes in the demographic profile of families and households, an increasing emphasis on moral values and judgements was injected into the policy debates. Such judgements are not new and they are not confined to New Zealand. In countries such as Finland and France for example, the national constitution provides a supportive framework for family law, whereas in Germany and Luxembourg it focuses attention on the legitimate family as sanctioned by marriage.

In some countries new family forms such as lone-parent families, co-habiting couples and reconstituted households are readily accepted, but in others, these family types are treated as deviations from the norm and as social problems requiring government action. While countries such as Portugal place emphasis on the traditional family and traditional family values (a position strongly reinforced by the Catholic church and the state) in Italy the focus centres on non-traditional family forms and reconciling the conflicting objectives of protecting the privacy of the family unit whilst at the same time supporting women in the paid workforce with generous provisions for maternity leave.

If values are going to be significant in reforming family policy then perhaps the government (and the Working Group) need to make these assumptions transparent and it is here that the research evidence becomes particularly significant. For example, there is no clear evidence that

being legally married makes better parents – the diversity of households is merely one factor influencing childhood outcomes. Likewise, before we assign value judgements to single parent families it is worth quoting the one international study produced in New Zealand which concludes that lone parenthood is generally a stage in family life rather than a permanent status – in other words if we want to capture the dynamics of family structure in policy terms, then we need to see lone-parent families as households in transition. This does not mean ignoring lone-parent families when it comes to policy and research priorities. What it does mean is shifting the focus from family structure in general (and lone parenthood in particular) to centering attention on the economic and social wellbeing of children.

### ***The Labour Market and Moral Values***

Value judgements also permeate labour market policy and especially labour market reforms. As structural unemployment increased in countries such as the United Kingdom and New Zealand during the 1970s and 1980s, it was treated as an adjustment problem en route to a more efficient economy: efficiency was equated with low inflationary trends, minimal government and a 'natural' rate of unemployment.

The USA's 1980's Workfare programmes in response to unemployment embodied two alternative explanations. The first assumed that the unemployed did not work because they lacked sufficient motivation, whereas the second maintained that they were inadequately prepared for work. The logic of the first commanded coercion and punitive sanctions – the second prescribed a range of compensatory and support services aimed at enhancing job readiness.

These prescriptions conveniently ignored policy failures as well as the broader institutional environment that produced destructively high rates of unemployment. Underlying these prescriptions is a pathological view of unemployment which assigns culpability to those out of work on the basis of inadequacy, failure and even deviancy.

In contrast to these moral interpretations of welfare and work, international studies such as Esping-Anderson's typology of welfare states, places emphasis on the way in which different countries provide income adequacy through labour market participation and social transfers. Aside from the inherent limitations in his initial typology, he does provide a basis for understanding the social democratic model, as represented by the Scandinavian countries. In these countries we find an emphasis on the universal rights of citizenship (and welfare) whilst at the same time maximising the productive capacities of the population through education, training and active labour market policies.

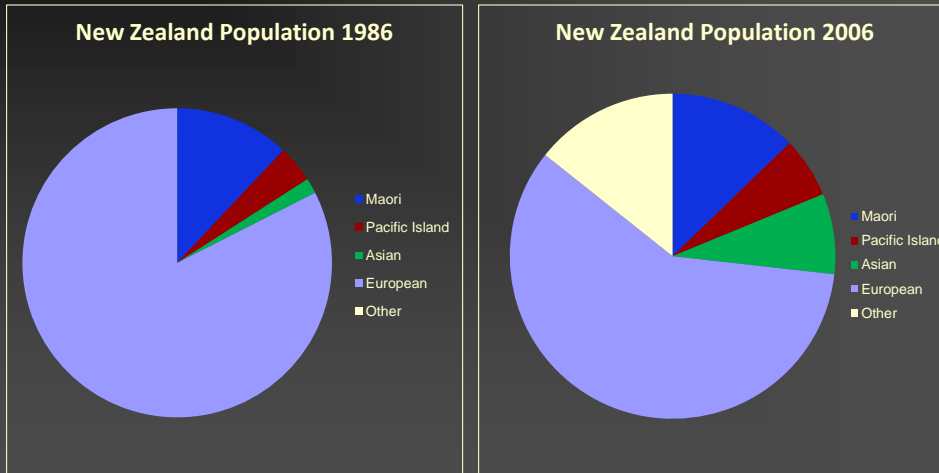
The contribution of this approach lies in the way in which it allows us to set aside value laden terms associated with welfare, the family, unemployment and beneficiaries. In this latter respect it is worth recalling that at various stages of our history, manufacturers, farmers, employers and workers have all been 'beneficiaries'. I won't comment on politicians or academics who were among the major 'beneficiaries' of recent changes to the tax system.

### ***New Zealand Population Profile***

Perhaps the most neglected aspect of social policy and welfare reform over the past three decades (aside from the policy framework itself) concerns the changing profile of the New Zealand population. Economic and social policy has not come to terms with these changes because it continues to use frameworks that seem incapable of understanding different cultural, social and economic groups. I referred earlier to the concept of the core family – it made little sense in 1991 – it makes even less sense today if we look at characteristics such as age, family size, location and a wide range of cultural factors which are increasingly significant in the delivery of health, education, housing and social services.

**Figure 2**

## The New Zealand population profile



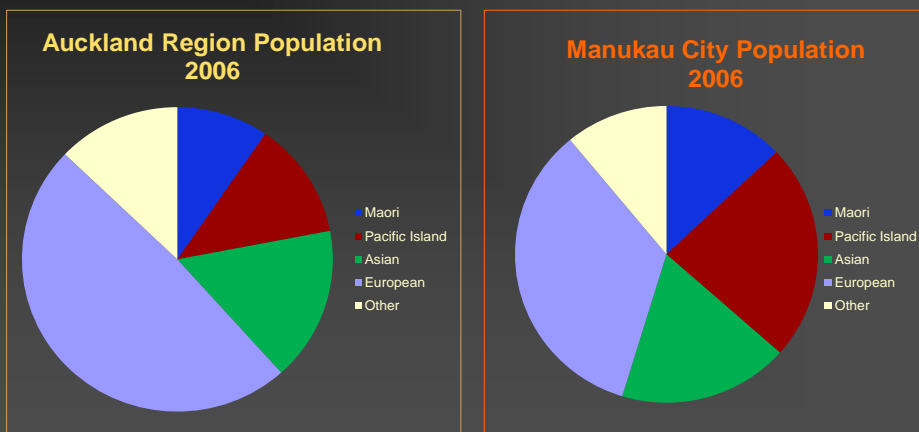
These aspects of social policy are particularly acute in Auckland where immigration policies have had a profound influence on the changing composition of the population.

In order to emphasise the significance of population in terms of welfare reform let me focus briefly on two population groups – namely, Pasifika populations, and children.

### ***Pasifika People***

**Figure 3**

## Auckland's population profile



Pasifika people came to this country with high expectations both for themselves and for their children. They played a significant role in the economy during the 1960s and 1970s and they continue to make a contribution to many aspects of New Zealand life today : from sport to

fashion, from the creative industries to engagement in the New Zealand tourism and service sectors ; from education to health and the social services. But whenever population comparisons are made, Pasifika populations stand out because of their age profiles, their relatively low incomes and their financial commitments.

Pasifika populations comprise a greater proportion of the younger age groups in New Zealand, with nearly half of Pasifika people under 20 years of age. In Auckland, nearly one quarter of children under 10 are in Pasifika households and 40% of those are in Manukau.

Pasifika people have significantly lower average incomes than the rest of the New Zealand population. In Auckland, the average Pasifika weekly wage was between 62% and 78% of the average weekly wage in Auckland for the period (1998-2008) and since 2008 there has been little change.

Not only do Pasifika people have, in general, lower incomes, they also have greater financial commitments to their families in New Zealand because of the age profile of Pacific households and in making remittances to their extended families in the Islands. Compared with other population groups Pasifika families have few assets and as a consequence they stand out as a population group with virtually no asset base and resources.

If we are serious about the economic and social wellbeing of Pasifika people, then tinkering with benefits or tax transfers in the wake of the increasing costs of living will do little to alter the life opportunities and potential of Pacific households.

## **Children**

The second population group that stands out as being seriously disadvantaged is children.

Within the industrialised world children have replaced the elderly as the poor generation. Yet whenever children are viewed as a population group they are generally perceived as a collection of individuals: dependent cogs of a family unit within a society of adults. Even the statistics we collect on children are almost exclusively focussed on 'the household' or 'the family'. Consequently the child is viewed as a by-product of the main unit of observation.

This reductionist approach to childhood is exemplified in studies of children at risk where the focus centres on individual deficiencies and pathologies, thereby excluding factors such as housing, work-poor households, the economic circumstances of the family or the pervasive influence of unfavourable neighbourhoods.

Until the late 19th century, the protection of children was confined to legal sanctions against murder, maiming and incest. When the protection against adult cruelty and neglect followed, it was modelled on legislation aimed at preventing cruelty to animals.

Not only did the rights of children come last in the family hierarchy, but early protective legislation defined children as subordinate members of society who owed obedience and deference to the father of the family, to the master of the school and to other institutions in *loco parentis*. Whereas the emancipation of adult males was a liberation from gerontocracy, feudalism, slavery and other socio-economic tyrants, the emancipation of women and children has been a process of liberation from patriarchy, with children's rights only emerging 50 years after the first significant advances for women.

It is an established fact that when it comes to population groups in New Zealand, children have been disproportionately disadvantaged. Whether we take household income or poverty, or components of deprivation such as the quality of housing, access to education and health services, or the viability of neighbourhoods, the biggest losers have been children.

Noam Chomsky (1996) quotes an American Commission on the subject:

*Never before has one generation of children been less healthy, less cared for or less prepared for life. That is our legacy to the current generation.*

It is an assessment which is reinforced by empirical evidence in New Zealand.

## **Conclusion**

What becomes patently clear, whether we focus on Pasifika populations, or children, or youth, the aging population or disabled persons, is that our social policy provisions are no longer sustainable. They are not sustainable according to those leading the current welfare reform process because of the fiscal costs of welfare. It is an argument that needs to be seriously questioned.

From what I have outlined today it becomes apparent that the issue of sustainability goes well beyond the need to reduce welfare expenditure. As the recent OECD Forum noted, the current economic crisis being played out in North America, Europe and other industrialised nations, stems from the uncoupling of law and markets and from what commentators have referred to as the failure of the private marketplace. That assessment has particular relevance in New Zealand where private indebtedness has emerged as a major problem for the national economy. By far the greatest proportion of New Zealand's fiscal deficit today (which is equivalent to 90% of annual GDP) can be attributed to the private sector and the private market place. The evidence is contained in the 2010 budget.

New Zealand once led the world because of its distinctive social policy arrangements only to lose its way in the 1980s and 1990s with policy initiatives that undermined individual and collective security. The family wage has been replaced by an incoherent set of policies which do not recognise the demographic patterns of households or population groups. As a consequence we have incurred a substantial social deficit which will condition our policy options for years, perhaps decades to come.

If social policy concerns the way in which society meets its collective responsibilities by enhancing human development and advancing social wellbeing, then the time has clearly arrived when we need to reassert the pragmatism and innovation that characterised this country's reputation as a social laboratory. The current model, which is essentially an imported model, has failed our most vulnerable populations.

Not only is it driven by an imported ideology, but it has undermined that integrated approach to economic and social development which was the strength of New Zealand's social laboratory. Today, economic policies are associated with production, whereas social policies are confined to issues of distribution. We will not make any significant progress in my view until we recognise that it is the social and cultural components of development that need to preface the technical options open to economics. This means in effect, reversing our current preoccupation with the number of beneficiaries, the structure of families and households and the moral judgements assigned to welfare beneficiaries in general and lone-parent households in particular.

Welfare is determined by the character and quality of living conditions – by the way in which human beings are able to participate in society and gain some control over their everyday lives. This assumes as it once did under our distinctive approach to social policy that a priority is placed on the social and political determinants of wellbeing such as work, fellowship and social solidarity.

Ultimately it means differentiating between private interests and the public interest or the common good. It requires that man and womankind stand at the centre of development – not as



consumers, commodities or units of production – but as social and political beings with a history, a culture and a dignity of their own.

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## **What work are we counting in our ‘family’ policy? M. Claire Dale and Susan St John**

Biographies for Dr M. Claire Dale and Associate Professor Susan St John are provided on page 4.

### **Introduction**

Far-reaching policy decisions are often made on the basis of narrow theoretical reasoning and ideology, blind to the human dimensions of a policy’s impact. In particular, the impact on children is rarely considered prior to implementation of either social or economic policy.

The best interests of children have certainly not been at the centre of family policy reform in New Zealand, but rather simplistic mantras that work is the way out of poverty. In particular, reform of family assistance has focussed on a very narrow definition of ‘what work counts.’ The welfare debate is in many respects quite a crude debate about ‘welfare dependency’, as if it were the cause of poverty, not the symptom. The Social Security Act was rewritten in 2007 to move away from the concept of social inclusion as “participation and belonging” to a minimal safety net approach with paid work at the centre and welfare solely to alleviate poverty. The subsequent welfare reform debate has been quite unsubtle and rudimentary, and there have been no visionary discussions as to how to achieve social security in a changing world.

In New Zealand, child poverty rose sharply following the 1990’s welfare reforms. A concern about child poverty had eventually emerged in political dialogue by the end of the 1990s, but the 2000-2008 Labour Government was very much a ‘Third Way’ government focused on the principle role of ‘enabling’ market participation rather than being committed to more direct means of redistribution.

To address child poverty, the New Zealand Labour-led government finally came up with a major new package “Working for Families” (WFF), which was introduced between 2005 and 2007. This package embodies the philosophy that it is the responsibility of the individual to address their own situation by working harder (Dale, Wynd et al. 2010). This philosophy obscures the reality that in a modern market economy, low skilled work is not always or even frequently the way out of poverty. Moreover, for parents with the primary responsibility for young children, paid work may not be a more gainful activity than the unpaid care-giving they are already doing.



The WFF package was originally conceived as addressing the two core problems of reducing child poverty, and providing an incentive to work by ‘making work pay’. However, the children whose parents are defined as ‘not in work’, that is, are in receipt of a welfare benefit, are excluded from a major part of the package. This means the poverty objective could only be achieved for a subset of poor children: those of the ‘deserving’ parents. In contrast to Australia, New Zealand used its child-related family assistance tax credits to create a gap between those in paid work and those not in paid work.

CPAG publications: ‘What Work Counts?’ (Dale et al., 2010), ‘Cut Price Kids’ (St John & Craig, 2004), and ‘Left behind’ (St John and Wynd 2008), discuss the detail and the damage of the WFF policy, while St John and Dale (2010) provide a critique of the work-related aspects.

### **Working for Families**

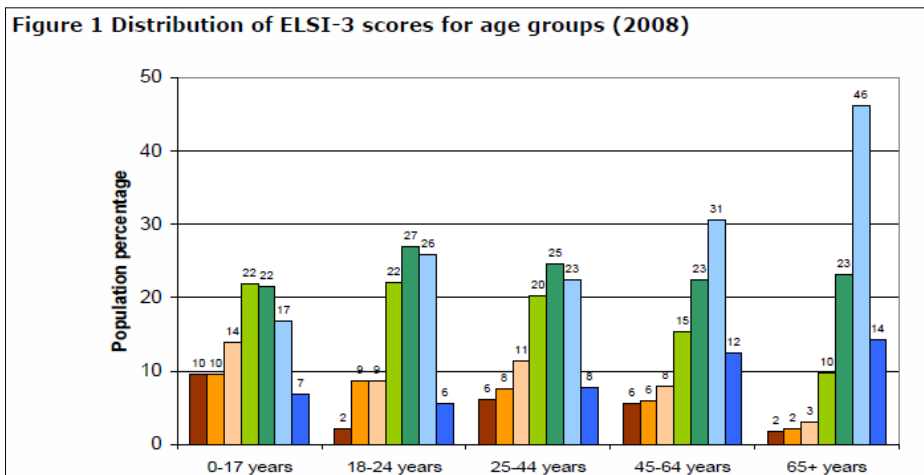
WFF is a weekly payment to the caregiver based on numbers and ages of children, and joint family income; and is abated at 20% above NZ\$36,827. It comprises a number of tax credits,

including the Family Tax Credit (FTC), the Minimum Family Tax Credit (MFTC) and the In Work Tax Credit (IWTC).

The two major WFF tax credits are the FTC and the IWTC. The FTC is a payment for all low income children while IWTC is designed to 'incentivise' paid work based on requirements of minimum numbers of hours worked per week and being 'off-benefit'. For the one child family, for example, the WFF comprises \$88 Family Tax Credit FTC and \$60 IWTC, a maximum of NZ\$148 per week. This amount is comparable to Family Tax Credit A and B in Australia but in contrast to what happens there, in New Zealand only part of it is paid to families on a Domestic Purposes, Sickness, Invalids, or Unemployment Benefit, or to families unable to meet the required minimum weekly work hours (20 hours for sole parent or 30 for a couple). The IWTC component of \$60 for one child (increasing for larger families, eg \$90 for five children), is paid to the caregiver, but only if the family unit qualifies on the work criteria. The IWTC reflects the philosophy that social inclusion is through paid work.

WFF represents a major redistribution and the IWTC has clearly reduced child poverty for the low income families who qualify. While the drop in the child poverty rate by 2007 was welcome it has to be asked: who has been left behind?

Between 2004 to 2008, there was a drop in "serious and significant" hardship levels among children, (26% to 20%) but they still had the worst profile of any age group as shown in Figure 1 (Perry, 2009). Given the impact of the recession, more than one in five New Zealand children, the poorest children, have been left out because their parents cannot fulfill the expected hours of work and/or have some benefit income.



The legality of the IWTC has been challenged under discrimination laws (CPAG v the Attorney General 2008). While Crown Law argued ferociously in the Human Rights Tribunal that the IWTC was not related to children, this was dismissed by the Judge who stated that it clearly was a child-related payment. The IWTC resembles the FTC in every respect except in who gets it. It adds on to the FTC and abates last.

The IWTC was judged in the Human Rights Tribunal to constitute discrimination with significant disadvantage for the children concerned:

*(192) We are satisfied that the WFF package as a whole, and the eligibility rules for the IWTC in particular, treats families in receipt of an income-tested benefit less favourably than it does families in work, and that as a result families that were and are dependent on the receipt of an income-tested benefit were and are disadvantaged in a real and substantive way. (emphasis added, Human Rights Tribunal 2008)*

There have been numerous other unintended consequences: the IWTC operates badly in cases of family breakdown; it is difficult to administer; it punishes families in a recession; and has

required the use of a complex 'ReStart' package that has only helped those made redundant, and only for 16 weeks.

### ***Did the WFF policy work?***

In their 2009 report evaluating this package, the MSD and the IRD concluded there was a statistically significant increase in the employment of sole parent beneficiaries by 2007. The evaluation credited WFF for the increase, although the methodology is questionable and unemployment was falling sharply at the time. The analysis did not include questions on whether the increase in employment was a good thing for sole parents and their children, or for the employers, or for society in general. That would require data over a longer period, and sound qualitative research. Other reports showed child poverty falling as a result of WFF, but noted the gains were almost entirely in low to middle income 'working' families.

The improvement in child poverty reflects the extra WFF support received by working families with dependent children and increased in employment opportunities 2004-08. A more careful analysis might have asked: Was any group of children systemically left out of these positive figures, and what is the impact for them and for society? What are the human rights implications of such discrimination against a group of children? Good policy analysis would also ask: What are the unintended consequences of this policy? And: What has been the nature of the work experiences of those who attain paid employment?

Many families who have lost jobs in the protracted recession since 2008 experience a double blow as they also lose a substantial part of their child-related tax credits. In these circumstances, the package is not a 'work incentive', but rather a penalty for losing work - one that impacts specifically and severely on children.

CPAG has a growing concern that IRD are taking on too much responsibility for administration of welfare policies, given the lack of appropriate staff education, training and focus. While MSD officials can be difficult for clients to deal with, they do have training, and unlike IRD officials, they do have a duty of care toward the 'social justice' aspects of their clients' situations. The IWTC is not only difficult for the IRD to monitor as to the hours of work requirement, they are also adjudicating on issues as to who is entitled on the basis of living arrangements. For many families their assessments, reassessments, demands for repayments, interest penalties can be terrifying and demoralising in an environment when they have no idea of what they have done wrong or understand the nature of the incentives they are supposed to be responding to.

### ***Investment in children***

While it is appropriate to educate and up-skill parents according to their abilities, capacities and circumstances, parents also make an immeasurable contribution to the community by good hands-on parenting. Greater respect for the valuable unpaid work that sole parents do in caring for their children in often very difficult circumstances is required.

As well as parents' time and care being an investment in their children, state spending on children is an investment, not a cost. For example, Ratcliffe & McKernan in *Childhood Poverty Persistence: Facts and Consequences* (2010, p. 6), state:

*Given that poverty status at birth is linked to worse adult outcomes, targeting resources to children born into poverty would reach a particularly vulnerable population. ... People who are poor at birth are significantly more likely to be poor as an adult, drop out of high school, and have a teen nonmarital birth than those not poor at birth.*

Heckman (2001), Nobel prize-winner in economics in 2000 is also categorical:

*The real question is how to use the available funds wisely. The best evidence supports the policy prescription: Invest in the Very Young.*

This would require provision of adequate support for parents, whether sole or partnered.

**The power of the language**

In The New Zealand Treasury’s *Key problems and options for reform: Treasury Report to the Welfare Working Group* (2010) contains largely tautological reasoning. For example, note the circular logic in the following statement:

*reducing the number of people dependent on the benefit system is likely to improve overall health in the population, reduce poverty rates, lower fiscal costs, and increase economic performance.* (New Zealand Treasury, 2010, p. 7)

The language used in the Treasury’s report is a depersonalised, as for example:

*Increasing labour market competition and a growing proportion of aged/sick population are two possible causes of increasing benefit numbers. The extent to which they determine **flows** and **stocks** within the system is difficult to measure....* (Emphasis added. New Zealand Treasury, 2010, p. 7)

Again, after a table showing the comparative costs of Domestic Purposes, Sickness or Unemployment Benefits, in 2009/2010<sup>5</sup>, we read:

*While these figures provide a useful indication of the fiscal liability of the current benefit population ..., the ongoing costs of the system are driven by both the current stock and future inflows into the system.* (New Zealand Treasury, 2010, p. 8)

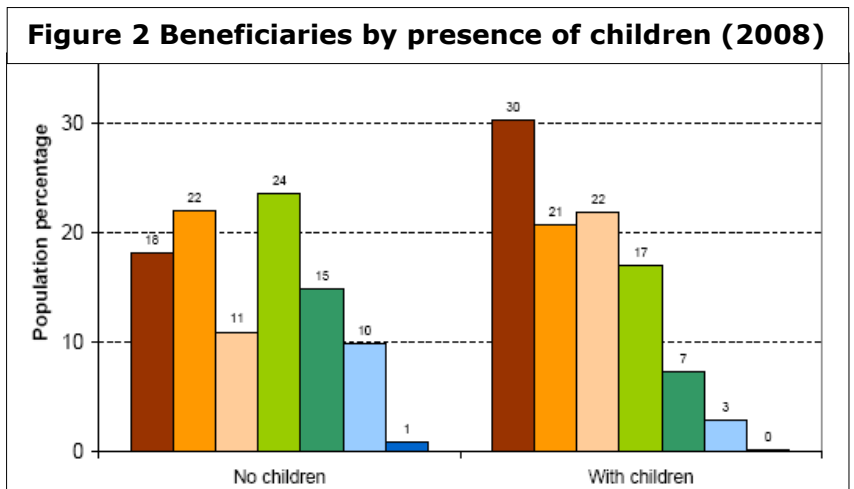
In the Treasury’s report, use of ‘flows’ and ‘stocks’ to indicate numbers of beneficiaries and movements on and off benefits deny the humanity of those parents and children.

Nowhere has the language been more debased then in its use to sanctify certain state approved definition of what work counts. The mantra adopted by the Minister of Social Development (Future Focus Bill, 2010) has been echoed by the government-appointed WWG:

*paid employment offers the best opportunity for people to achieve social and economic well-being... the priority for people of working age should be to find and retain work.*

Problematically, beneficiaries are often parents, and the ‘work-first’ policies impact most detrimentally on their children.

In New Zealand, 19% of children live in serious or significant hardship (Ministry of Social Development and Inland Revenue Department, 2009). While Perry (MSD report, 2009, p. 46) noted that these children experience serious hardship and “unacceptably severe restrictions on their living conditions for citizens in a developed nation like New Zealand”, the response from the Minister of Social Development was and still is: “a relentless focus on work”.



<sup>5</sup> It is noteworthy that the approximately \$8 billion annual cost of the age pension, New Zealand Superannuation, is excluded from this comparison.

## **An alternative evaluation and policy approach**

CPAG's report 'What work counts' (Dale et al 2010) sought to illuminate the experiences of those parents with children who are 'incentivised' into the modern labour market. Research in this field is difficult but interviewees provided insights into the realities of juggling between the tax and benefit system, low-paid work, and children's needs. They reveal a side of social policy that is too often ignored. Eight semi-structured interviews were conducted with parents who had been in receipt of DPB, UB, Sickness and Invalids Benefits, and also had been in part- or full-time paid employment over the period from 2004 to 2009. The interviews included such comments as:

*I have applied for approximately 70 jobs, but cannot find one that fits in with school or childcare or would pay enough to cover the costs of rent, electricity, etc.*

*My son gets stressed if I am stressed. He is overly concerned about how much things cost. At the same time, he wants to play soccer but can't until I am paid more and can afford the fees and the boots, uniform, and all that. It is very difficult: I work all day, pick him up at 6pm, he has dinner, does his homework, and is in bed by 7.30pm. I do the housework, and am exhausted by 8.30. Then I go to bed and can't sleep.*

*In the last 6 months I have needed a food grant, and there have been other times when I've needed this kind of help. As for winter - I used to worry, but as my girls got older they understood that I couldn't afford to run a heater, and made do with extra blankets, warm clothes and hot water bottles.*

*I have no idea what MFTC and IWTC are and was given no information from IRD. After my tax credits were removed, I was accosted by IRD saying I owed them money.*

Contrary to the Treasury's or IRD's "stocks and flows", these beneficiaries are parents, genuinely concerned for their own and their children's well-being.

## **Conclusion**

Dale et al., (2010, p. 35) concluded that an explicit recognition of sole parents' contributions to their children and to society is needed. The complex family assistance tax credit system must be reformed and simplified so all children in low income households are entitled to assistance, regardless of the source of parental income. Among recommendations the report asked that:

- the government to avoid imposing welfare-to-work policies that exacerbate household transience in families with young children;
- special needs of children in disadvantaged families are identified, and dealt with promptly;
- adequate, affordable housing is made available on public transport routes for beneficiaries and those on low incomes;
- reliable information must be available regarding all benefit and income support entitlements;
- the welfare state must be framed as an enabling institution investing in all children, facilitating their early development, and laying foundations for their future development.

Social inclusion for children implies good health, participation in their community, and opportunity. Children should not be punished for the so-called failure of their parent/s to find paid work regardless of the family's circumstances or the state of the economy. For too long 'what work counts' has excluded the vital investment parents make in their child's care and development. Family assistance policies that properly acknowledged the vital role of parenting especially of very young children would not be designed like WFF.

Children have borne the brunt of the 1990s welfare reforms and the global crisis and the recession of the 2000s. The welfare and well-being of the poorest 20% of children have been left to a residual safety net and the exigencies of a volatile labour market. A social inclusion approach to welfare would mean we would invest far more in our children irrespective of the parent's paid work status for the sake of their own futures and ours.

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## **On Dependency**      *Mike O'Brien*

Biographical details for Associate Professor Mike O'Brien are provided on page 4.

### ***Introduction***

"Dependency" has become one of the most commonly (and loosely) used words in much of the recent debate around income support and benefit reform. This usage reflects a range of considerations, not the least of which is the use of the term in a pejorative and critical sense, but applied selectively to particular groups of state income recipients. It provides an important rhetorical dimension in the Minister's press release associated with the recent Future Focus legislation which is described as "a comprehensive package of reforms aimed at breaking the cycle of welfare dependency (Bennett 2010)". Similarly, in her press statement at the time of the appointment of the welfare working group, the Minister argued that the purpose of the group was to: "examine long-term welfare dependence, identifying causes and solutions". She went on to argue that: "almost 1 in five children live in benefit dependent families, breaking the cycle of welfare dependence is essential to avoiding a life of limited income and limited choices". In the four items that constitute the working group's terms of reference, "benefit dependence" is referred to on two occasions while a third term of reference refers to examining "how to promote opportunities and independence". Similarly, and not surprisingly, the Cabinet paper which approved the establishment of the working group also emphasised "dependence and dependency" as critical considerations. I would hasten to add that this focus on "dependence" is not new; the Working Group and the Minister's emphasis on of these terms are not unique, but reflect both national and international developments over recent years.

What, however, does dependence and dependency mean? What are the issues and problems which lead to and arise from "dependence"? Perhaps even more fundamentally, what is "welfare dependence"? Does "welfare dependence" serve as a stalking horse for other questions, issues and considerations? This paper is designed to explore and answer these questions. In doing so it begins with a general conceptual discussion about the idea of "dependence". It proceeds from there to reflections on the meaning of "dependence" within the context of income support and welfare provision. The third part of the paper takes up some of these more general explorations within the context of known information about welfare receipt and the behaviour of recipients of income support.

### ***The Meaning of Dependence***

In an interesting and thoughtful discussion, (Gibson 1995) sets out different approaches to the meaning and definition of dependence, pointing out that dependence is an integral part of the life cycle. We are born completely dependent on others and many of us will end our lives in a state of high dependence. Moreover, irrespective of whether we are talking about employment, partnering relationships, parental relationships, or, to take an illustration that is part of this conference's focus, experiences of ill-health and disability, being 'dependent' is inherent in all that we do and are. If we stop and think about our attendance at this conference, through registration, booking travel arrangements, getting here from the airport, ensuring meals were available, having the facilities to present papers etc – in all of these and many other aspects we have been very dependent on others. "Dependence", then, is a word with many levels of meaning.

In her work on dependency, Gibson, (1995) differentiates between different dimensions of dependency, namely: spheres of dependency; dependent on what?; dependent for what?; causes of dependency and attributes of dependency. While these do not constitute discrete



categories, they are nevertheless interesting and useful delineations and differentiations of various dimensions of dependency. She goes on to note that there is a range of literature which focuses on dependency, including literature around the culture of dependency, a range of welfare and psychological literature, as well as literature in relation to ageing and disability. What is interesting and significant about much of her discussion (alongside her disaggregation of the term itself) is the distinction to which she regularly returns between seeing "dependency" as an individual characteristic and treating dependency as having relational features. The latter requires attention to the circumstances which create "dependency" and attention to the mutual features involved in dependency - the worker and the employer are both dependent on one another, for example. As she notes, "some dependencies are acceptable, and some are not" (Gibson, 1995:19).

The undesirable aspect of dependency at an individual level, she argues, is that it reflects a lack of power and control over one's life and it is, she argues, this lack of power which needs to be attended to if dependency is to be reduced. More significant, for our purposes, is her discussion about the ideological nature of dependency and, more specifically, the way in which the term is used and applied to particular groups, especially sole parents. She captures this well: "dependency at this societal labelling level is clearly an ideological strategy" (Gibson, 1995:22). In this context, "dependency" means that some groups (lone mothers particularly) can become the subject of particular negative stereotypes; dependency in this context is not a descriptive term, rather, it is socially constructed and politically utilised to treat some as "outsiders".

"Dependency", then, becomes rather problematic as a descriptive term with multiple levels of meaning. In the context of our discussion, most of the focus and the political rhetoric and argumentation about dependence has focused on those who receive some form of income support. Some of the focus has been directed at those receiving income support during a sometimes prolonged period (time length unspecified) or, at least implicitly and not always subtly, at those receiving income support payment such as domestic purposes benefit, unemployment benefit, invalids or sickness benefit. Importantly, and more significantly, two groups dependent on state income assistance are excluded from the rhetoric, namely those receiving National Superannuation and those receiving Working Families Tax Credit who are in paid work. Significantly, the Welfare Working Group is excluded from looking at these two dependent groups. Some state dependence is good (support for paid work) while other state dependence is bad - caring for dependents, i.e. children and those who are sick and not in the paid labour market. Because it is in the labour market it is "good dependence".

"Dependence" somehow implies reliance on others and reflects a reliance which is automatically seen as socially unhealthy. Aside from the ideological and logical difficulties inherent in this assumption, there are two other important aspects of this assumption worth elaborating further here.

First, the exaggerated emphasis on "independence" denies and destroys the inherently social that is part of the reliance on human relationships. It assumes that we are or look totally and completely autonomous individuals without any connection to the social and economic factors on which our lives are built and maintained. Sellers in the market place are dependent on buyers; buyers are dependent on sellers. To quote the oft used phrase: no man (sic) is an island. So we are removed and separated from our social interconnections and social responsibilities.

Second, not only does this approach to and utilisation of "dependence" privilege paid work (implying that "unpaid work" does not constitute proper "work"), but it fails to engage with and attend to the significantly changing nature of paid employment and changing structure of work. It focuses on "welfare dependence" as if the norm remained full-time (male) work in regular, continuous and reliable jobs in which it was possible always to earn enough to support oneself

and other family members – it is as if the male norm had not changed. In the last 25 years there has been a change in the nature of employment, particularly the rise of part-time, part year work. Over a longer time period too there have been significant and substantial changes in the structure of family life, with significant growth in single parent (usually female headed) families and changes in families where increasing numbers of grandparents are caring for grandchildren or family (usually women) are caring for family members with chronic physical and mental health difficulties. The changing nature of the economy and New Zealand's location within the international global environment leads to an emphasis on competitiveness and requirements in which employers have difficulty in accommodating those unable to work full-time or requiring regular or intermittent time away from work for various reasons - productive competitiveness does not permit a flexible responsiveness. Employers are dependent on a reliable and skilled workforce.

The word "dependence" is, then, not very helpful and indeed quite distracting because of its political, ideological and pejorative dimensions - it is a somewhat meaningless but destructive and punitive label. It is a label which has been being increasingly used, both in New Zealand and internationally, as income support systems have become more conditional and residual, and the individualised responsibilities of recipients (with reduced emphasis on their rights) have become focused on and built around a framework in which individuals are blamed for their poverty and for their economic and social circumstances while at the same time the society is built around creating greater economic inequalities (Dean 2004). The changes in welfare systems have both created and significantly influenced increasing poverty while at the same time placing responsibility for poverty (aimed at the alleviation of poverty) on "the poor". "Poverty" is being replaced by "dependency" and as a result attention is focused on reducing dependency, and creating "independence", even if independence (from the state) does nothing to improve or reduce levels of poverty. It is almost as if it would not matter if poverty levels did not change as long as there is less "dependence" on the state through income support payments. Implied in this comment is that it would be possible to go to being independent of income support but dependent on Working For Families tax credits, but this dependence would be acceptable. Indeed, it would be good because it would show that you were becoming "independent", even if a significant part of income came from the state, ironically paid through the Inland Revenue Department, the same state agency responsible for paying family tax credit which is received by both beneficiaries and those in paid work.

### ***Neoliberalism***

There are, then, substantial fundamental ethical, philosophical and political considerations surrounding the issue of "dependence". Fundamental to these issues is the way in which "dependence" has become a substitute for and displacement of any focus on poverty. In a variant of Tawney's phrase, what the middle-class call "the problem of dependence", beneficiaries call "the problem of poverty". This difference is not just an issue of semantics; it is much more fundamentally an issue of political and ethical focus. Constructing the issue as "dependence" locates responsibility and cause in and within the individual - dependence arises because the individual is "irresponsible" and fails to provide for herself or himself. It is an assessment and an analysis which is based on a fundamental assumption that individuals are totally, exclusively and solely responsible for their own circumstances and, therefore, for extricating themselves from the "dependent" position in which they are located. It is an understanding and analysis which is based completely around individualism, the hallmark of neoliberalism. It is also heavily built around a notion that the state and government has only a minimal, residual responsibility; the major responsibility has to be met by the individual and family and when that proves to be ineffective then charity may be utilised, but only temporarily and briefly. It is no accident that in the current context, alongside the emphasis on "dependency", there has been a parallel emphasis on (1) provision of assistance to families

through various charities rather than through state agencies and (2) an ongoing and persistent argument and expression that describes the state in negative terms and attempts to limit state activity. State assistance is defined as always bad and always unwarranted and always ineffective. This denigration of the state serves a quite useful purpose because it creates a climate in which the emphasis is on minimal state intervention supporting, reflecting and reinforcing the neoliberal framework within which it is embedded.

By way of contrast, describing and categorising the issue as a "problem of poverty" shifts the attention away from the behaviour of beneficiaries to, potentially, a focus on the adequacy of income and the need to ensure that there is an adequate level of income for all citizens. In meeting that goal, the state becomes an important and significant participant. Of course, this does not displace the work of non-profit and charitable organisations or the significance of the market in distributing income but acknowledges that the state is an important and significant participant in reducing levels of poverty - reduction is not and cannot be solely the responsibility of the individual and family supplemented by private charity. Of course, poverty can be (and often is) attributed to individual inadequacies, weakness and failure. Such an argument is both ethically and morally bankrupt and flies in the face of the structural considerations which determine the distribution of income and which allocate resources in societies like Aotearoa New Zealand. An individual attribution of blame would lead to and be reflected in a set of data in which poverty was randomly distributed and did not fall systematically on the basis of ethnicity, gender, class and responsibilities for dependent children. In other words, the individual attribution argument beloved by neoliberals cannot grapple with the fact that poverty is much more likely among Māori and Pacific households, is much more likely among families with children, is higher for women than men and is much more likely in low paid, low skilled households. Focusing on the behaviour of the individuals in those households runs completely against the data and evidence we have about the nature and distribution of poverty and the systematic variability in New Zealand living standards ((Perry 2009a; Perry 2009b).

Inherent in these arguments and in the emphasis on "dependence" rather than poverty, is the widening and growing level of income inequality in Aotearoa New Zealand. The growth in inequality in Aotearoa New Zealand has been greater than almost all other countries in the OECD (Organisation for Economic Cooperation and Development 2008). It is, of course, no accident that this growth in inequality has occurred concurrently with the growing focus on "dependence". It is also no coincidence that New Zealand's growth in inequality and the associated high levels of poverty, especially among children in benefit households, leads to and is associated with a close interest in welfare reform and direction in countries like the United States where levels of inequality and poverty are among the highest in the OECD. The United States has the worst provision for children in low income households, reflected in their high levels of poverty. Conversely, the Scandinavian countries, with their low levels of poverty and lower levels of income inequality (lower, that is, than Aotearoa New Zealand and the United States) builds its welfare provisions around active attempts to, ideally, eliminate poverty or, at worst, substantially reduce levels of poverty. While there has been some growth in child poverty in recent years in Sweden, for example, this has been from a very low base and reflects important changes in the nature of Swedish society and significant limitations in the insurance model on which much of European welfare programmes is based. It is clear from all of the available data that major factors in preventing and reducing levels of poverty in the Scandinavian countries (and in a number of other countries) is (1) an acknowledgement of the significance of poverty (rather than dependence) and of collective action to reduce poverty levels and (2), implicit in that commitment, adequate universal support for children and establishment of and support for the notion that the state needs to be an active (not passive) participant in welfare provision (O'Brien and Salonen Forthcoming).

There is an interesting (and tragic) irony in the now widely discussed move from a "passive" to an "active" model of social security and income support associated with the focus on benefit dependence. The tragic irony is that while "active welfare" is the model which is increasingly applied to the lives and circumstances of individuals seeking financial support and assistance from government, it is the reverse model which is applied to government. That is, individuals are expected (and required) to be "active" while governments become "passive" and significantly and substantially reduce their "active" role. In the conclusion to their discussion on active citizenship, (Andersen and Jensen 2005) note that a large question remaining unanswered about the impact of this shift. I am not so sure that the question is unanswered; the available evidence would suggest that the answer to the question about the impacts of the shift between "passive" and "active" welfare are that they lead to growing poverty and growing inequality.

The focus in much of the discussion on benefit dependence has been around arguments about perceived and assumed lack of motivation and unwillingness to take jobs. As elsewhere in these debates, there are fundamental assumptions at work here, the most basic of which is that there is a neat fit between geography, schools, personal and social supports, tax and welfare systems and availability of jobs. Significantly, the focus in these discussions has been on "the behaviour of beneficiaries" with little attention to the labour market and/or to the actions and behaviour of employers in relation to flexibility around jobs and support within the workplace as beneficiaries (particularly sole parents and those with chronic illnesses) attempt to juggle work, family responsibilities and personal circumstances.

In a labour market, and indeed a marketplace where the emphasis is almost entirely on financial viability, then employers will generally be reluctant to offer job opportunities and work unless there is some certainty of availability. A potential employer who is faced with either child care demands and requirements or medical conditions which require unpredictable attention from time to time is not going to be willing to take on staff unless there are good supports. In most instances, those supports do not exist. Much discussion about work and work participation neglects entirely the nature of the labour market (and the rapid changes within that) and the needs and circumstances of beneficiaries, particularly those with personal, childcare and family commitments. Furthermore, of course, all this begs a very fundamental question about the nature of work and the work involved in caring, particularly caring for dependent children. That work is not defined as "work" in this context; the difference, of course, is that it is work which is not remunerated.

There is a further contradiction in the application of "dependence" around work and work requirements. Those work requirements do not extend to those who are dependent on Working For Families. Those families are able, to some degree encouraged, to juggle their family circumstances so that one of the carers is able to remain at home caring for children but still dependent on government assistance paid through various forms of tax credit. Significantly, one of the findings of the recent evaluation of Working For Families found that 9,000 had moved from paid work to care for children. These, of course, were two adult households which meet the work test requirements and are eligible for WFF; they, of course, are not 'dependent' (Centre for Social Research and Evaluation and Revenue 2010). In the benefit structure, there is an increasing and moving focus towards treating each beneficiary and their partner independently in relation to work assessment and work requirements. Significantly, beneficiaries are treated differently in this context from those dependent on tax credits. As noted by a number of commentators, it is the contemporary version of the deserving and undeserving poor.

One of the significant and substantial claims that has made about benefit "dependence" is that beneficiaries enjoy the lifestyle and are content to continue to receive a benefit for the rest of their working lives. Other than anecdotal stories, no evidence (other than prejudicial assertion) is made to support this claim but it is a claim which is regularly repeated, both by politicians and

in and by the media. (See, for example, the Minister's description of benefit receipt as a 'lifestyle choice' (Bennet 2010)). The limited international evidence suggests that motivation to undertake paid work is stronger among beneficiaries than it is among those in low paid work (Dean 1992). The best available evidence which can be drawn on to explore this question in the New Zealand context comes from two sources, the review of the changes to the Domestic Purposes Benefit and the Widows benefit (Ministry of Social Development 2001) and the experience during the economic improvement early this century. The evidence from both these sources clearly points to work motivation being strong and the critical factors being the availability of work, the availability of work in the context of family commitments (particularly for those with dependent children) and the extent to which work and family and child care responsibilities can be effectively managed. In other words, the critical consideration is the availability of work and the personal and social supports surrounding that, not the alleged behaviour and lack of motivation of beneficiaries (See Dale, Wynd et al. 2010).

While the preceding discussion has to a significant extent been on an ethical, philosophical and political level, there is also an important range of empirical material to be looked at, material which impacts on some of the assumptions implicit in the benefit dependence critique. There are a number of assumptions which that critique makes, assumptions which not uncommonly transfer into being assertions and statements of supposed fact. They are assertions which derive from particular sets of ethical and philosophical views about both human behaviour and human motivation and should not be confused with assertions based on empirical data about the lives and behaviour of beneficiaries. They are assertions which need to be tested rather than statements of "fact".

While "facts" seldom win political and philosophical arguments, they do provide a base on which to test the validity and assumptions of those arguments. Moreover, the "facts" themselves are not always self-evident; that is, they require some discussion and understanding in order to assess their base and their meaning. For example, statements about the length of time which people remain in receipt of an income support benefit are simply that, that is, they are statements of length of time. They tell us nothing more than how long it is since the person first received a particular benefit. Those "facts" tell us nothing about their circumstances, the issues which they face while receiving a benefit, the issues, circumstances and forces which are associated with and lead to decisions to move from a benefit into paid work and vice versa. Those and related questions require much more detailed understanding and analysis than can be secured from simple statements about the length of time a person or group of people have been receiving a benefit. With these caveats in mind, let's then turn to some of the available empirical data.

### ***Testing Assumptions***

There are two assumptions, sometimes made explicit, but more commonly expressed through ideological statements, which require exploration. First it is assumed, alleged, asserted, or implied that income support recipients (those who are "dependent") prefer to remain on a benefit rather than seek employment and, second, they remain there interminably or at least for a prolonged and sustained period of time. The next section of this paper explores these two assumptions by looking at the available research data and policy information. What, then, does the available research data and available policy information tell us?

There is a range of data available to explore the issues around welfare dependence. One of the many starting points is simply to look at the comparisons between those receiving an income support payment and those receiving the various forms of tax credit. Table 1 below starts this exploration by looking at the numbers receiving some form of income support benefit and some comparable data in relation to working for families.

**Table 1. Numbers receiving income support benefits and tax credits, 2004-2008<sup>1</sup>**

	2004	2005	2006	2007	2008
Domestic Purposes Benefit	108,893	97,882	93,348	87,601	86,695
Sickness Benefit	43,698	45,176	47,072	48,063	46,271
Invalids Benefit	70,807	73,186	75,349	77,301	82,879
Family Tax credit	259,900	245,400	268,900	345,700	348,600
Child Tax Credit	117,500	116,700	150,100	26,300	14,000
Minimum Family Tax Credit	1,500	1,000	1,000	3,000	2,500
Parental Tax Credit	14,200	12,100	13,800	16,600	17,000
In Work Tax Credit				209,600	233,700

1. Benefit numbers are working age beneficiaries

Sources: Benefit numbers, Ministry of Social Development Statistical Return, 2009; Tax Credits, Inland Revenue website, April 2010 ([www.ird.govt.nz/aboutir/external-dtats/working-for-families-tax-credits/tax-status](http://www.ird.govt.nz/aboutir/external-dtats/working-for-families-tax-credits/tax-status), accessed 28/5/2010).

While, as noted above, Receipt of Working For Families payments is not counted as "welfare dependence", its recipients are dependent on the state for some of their income in the same way that income support recipients are dependent on the state for their income. The difference, of course, is that the former involves paid work. In brief, in March 2008, 233,700 families were receiving in work tax credits while 33,500 were receiving one of the other three work-related tax credits, giving an aggregate of 257,200 in work tax credit payments providing some form of state financial support because their work income was insufficient to keep them above the poverty line<sup>6</sup>. At the same time, 348,600 families were receiving some form of family tax credit; data is not available which would separate out those receiving family tax credit as part of the income support payment and those who are receiving it while meeting the work test requirements. We can make some approximation of this distinction, however, on the basis of Ministry of Social Development figures for benefit receipt.

In 2008, 200,678 children were living in households dependent on a main benefit ; 17,323 children were in households with a registered job seeker (Ministry of Social Development 2009 :170). These figures relate to children, not households and will, of course, be greater than the number of households with children receiving an income support payment. While some assumptions have to be made about the number of households involved, even if we make the generous assumption that there is only one child in each of these households there are in excess of 130,000 families with an adult in paid work receiving family tax credit.

### ***Length of time receiving a benefit***

An argument often made by those critical of beneficiaries and benefit "dependence" is that (1) the length of time on the benefit is increasing and (2) people remaining on a benefit are doing so because of lack of motivation, because it is considered to be an "easy and soft" option or, to quote the Ministers assertion last year, it is a "lifestyle choice".

Turning first to the question of numbers - growing "benefit dependence" (one of the more common phrases) would suggest an increase in benefit numbers, aside from any consideration of duration. What then do we know about numbers? In 2004 there were 309,360 working age people receiving a main benefit. Four years later this number had decreased to 258,317 (Ministry of Social Development, 2009). In other words over that time the number of people receiving a main benefit had declined by 50,000 or 20% (see Figure 1; derived from table 2.7 in Ministry of Social Development, 2009).

<sup>6</sup> Some families were receiving more than one payment and hence the aggregate number refers to the number of payments being made, not the number of eligible families.

Using that same data, in 2004 there were 65,082 people who had been receiving a main benefit for less than six months; four years later this figure had fallen to 51,531. Or, to take another statistic, in 2004 there were 104,081 people who had been receiving a main benefit for over four years; four years later the figure had fallen to 94,656. In both instances, these figures represent similar percentages of the total number of working age beneficiaries.

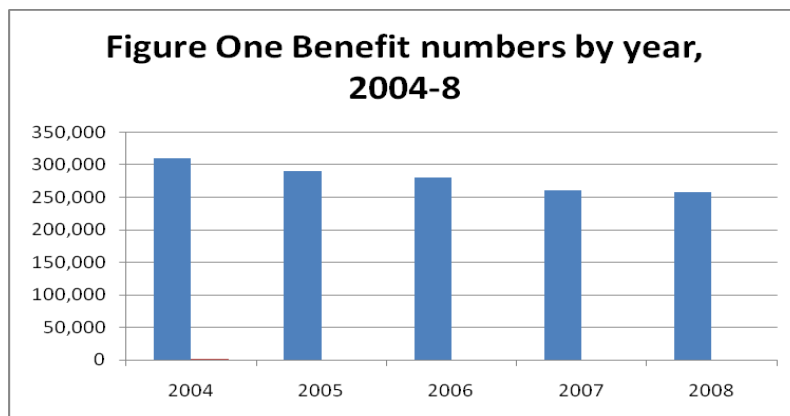
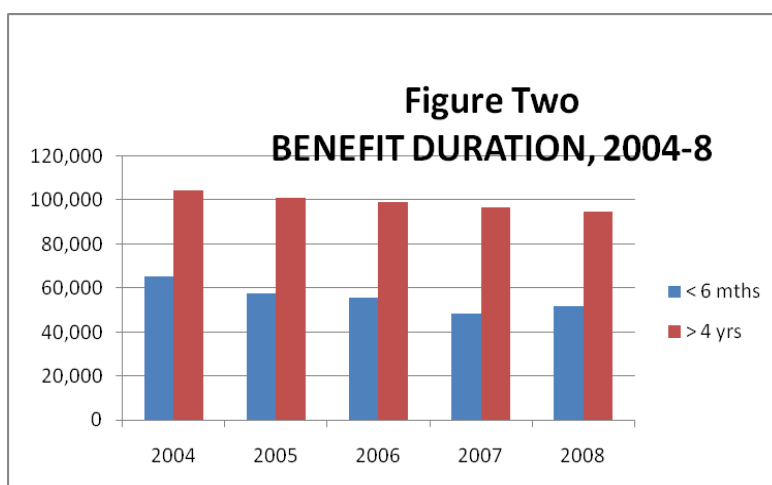


Figure 2 (Source: Ministry of Social Development, 2009: 14) shows some of the key data related to changes in the length of current spell receiving a benefit.

One other figure from the Ministry report adds further evidence to the notion of a mobile rather than a static benefit population. In the Table which provides data about how long it had been since a person granted a benefit had received any main benefit, in 2003/2004 55,126 of the 241,483 had not received a benefit in the previous four years (Ministry of Social Development, Table 2.9).



In 2007/2008 the comparable figures were 46,178 of a total of 185,158 of the benefits granted to working age clients (table 2.9 – the relevant numbers and percentages are shown in Table 2. (See also Dale et al., 2010).

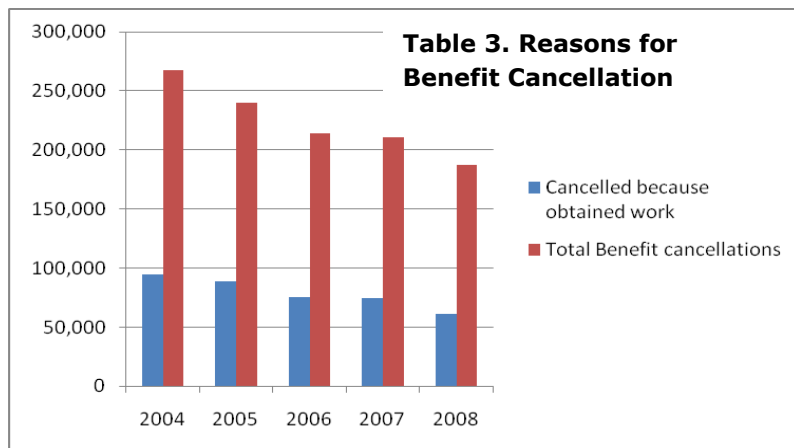
**Table 2. Length of time since last granted a benefit, 2004-2008 (Working age benefits)**

	2004		2005		2006		2007		2008	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Not receiving	55,126	22.8	49,477	22.6	49,309	23.9	46,195	24.3	46,178	24.9
< 6 mths	44,958	18.6	41,508	19.0	37,451	18.2	34,586	18.2	31,985	17.3
6-12 mths	35,257	14.6	32,164	14.7	28,103	13.6	23,856	12.5	22,639	12.2
12-18 mths	11,136	4.6	10,696	4.9	10,682	5.2	8,873	4.7	9,316	5.0
18-24 mths	8,893	3.7	8,120	3.7	8,281	4.0	7,049	3.7	6,840	3.7
2-4 yrs	16,765	6.9	15,250	7.0	15,960	7.7	14,580	7.7	13,861	7.5
Total	241,483		218,491		206,128		190,461		185,158	

Source: Ministry of Social Development, 2009:14. Table 2.9

Or we could take a third fact, namely the reason for client cancellation. In 2003/2004 94,983 benefits were cancelled because somebody obtained paid work; this was out of a total of 267,766 benefits cancelled by working age clients that year. Four years later, the comparable figures were 61,113 benefits cancelled because of obtaining paid work out of a total of 187,630 benefits cancelled by working age clients (The data is set out in Table 3, derived from Ministry of Social Development, 2009, Table 2.11).

Here again, as with the other benefit information, the proportions change little over that time period. Similar pictures emerge when looking at the data on unemployment benefit (Ministry of Social Development, 2009, Table 3.4) which refers to the length of time since receiving an unemployment benefit.



One of the major areas of focus in the benefit dependence debates has been around work requirements for sole parents, with those requirements becoming more demanding and more difficult over the years, both in terms of work and training requirements and in the age of youngest child at which the requirements took effect. It is worth noting that the numbers of people receiving a domestic purposes benefit declined between 2004 (109,526) and 2008 (97,157) (Ministry of Social Development, 2009, Table 3.10)<sup>7</sup>. This period coincides with significant decline in unemployment benefit numbers as jobs and the economy improved. In that same period, the number of unemployment related benefits granted decreased from 134,572 in 2003/2004 to 76,835 four years later (Ministry of Social Development, 2009, Table 2.10). In contrast to the numbers of sole parents receiving the Domestic Purposes Benefit (DPB), the numbers receiving the DPB because of caring for a sick or infirm family member increased over that time from 3538 in 2004 to 5246 in 2008.

Turning then to the question of the age of the youngest child, of those receiving a DPB or EMA, in 2004 48,336 had a youngest child under the age of five out of a total of 102,324 beneficiaries. In 2008 there were 43,147 with a child under five receiving either the DPB or the EMA a total of 88,352.

Figure 3 (derived from Ministry of Social Development, 2009, 36. Table 3.10) shows the figures for the period 2004-2008.

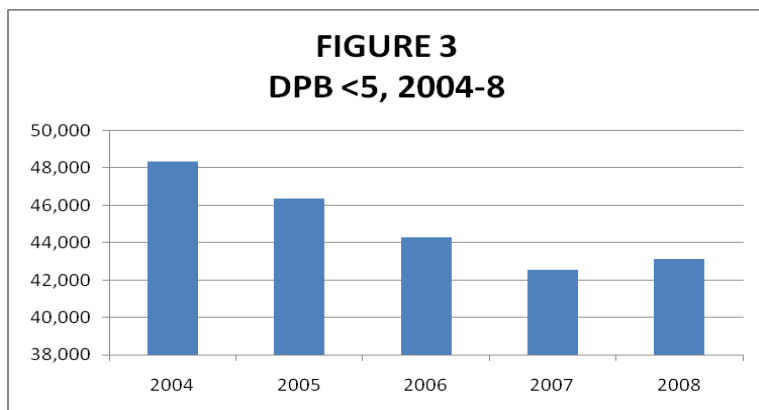


Figure 3 (derived from Ministry of Social Development, 2009, 36. Table 3.10) shows the figures for the period 2004-2008.

Or to look at a comparable figure, of the DPB or EMA payments granted in 2003/2004, 20,192 out of a total of 33,417 granted had a child under the age of five while four years later 19,586 of a total of 32,263 had a child in this age group (Ministry of Social Development, 2009, Table 3.12). Of the 37,869 carers benefits cancelled in 2003/2004, 12,012 were cancelled because they had obtained paid work while four years later 14,754 benefits were cancelled for the same reason, out of a total of 37,224 cancellations (Ministry of Social Development, 2009, Table 3.13). (See also Dale et al., 2010).

### Sickness benefits

In 2004, 43,698 sickness benefits were received, a figure which increased to 46,271 four years later (Ministry of Social Development, 2009, Table 3.16). What is significant about these figures is that benefits granted as a result of psychological or psychiatric conditions increased over that

<sup>7</sup> This figure includes all those receiving a Carer's benefit and is slightly larger than the number of sole parents receiving a benefit.



time from 15,138 to 18,036, an increase higher than the aggregate increase over that time period (Ministry of Social Development, 2009, Table 3.17). If the length of time is to be a focus, in 2004, 6,186 had been receiving a sickness related benefit for over four years while this had increased to 6,965 (a similar percentage of the total recipients) four years later (Ministry of Social Development 2009, Table 3.18). Figure 3.6 in the Ministry's data shows that the highest proportion of those receiving a sickness related benefit were aged between 50 and 64.

To take another figure: of the 48,355 benefits sickness benefits granted in 2003/2004, 10,877 had not received a benefit in the previous four years while four years later this figure had increased to 14,659 of a total of 50,326; in other words the proportion who had not received a benefit in the previous four years increased over that time (Ministry of Social Development 2009, Table 3.19). Again using this 2004 - 2008 time period as a point of comparison, 6,192 benefits were cancelled because the beneficiary obtained work in 2003/2004; this was from total of 43,259 sickness benefits cancelled that year. Four years later 9,437 benefits were cancelled because of obtaining work out of a total of 52,346 cancellations, a figure approximately 4% higher, reflecting the changed economic conditions over that time.

### ***Invalids benefit***

In 2004, there were 70,807 people receiving an Invalids benefit 18,879 of whom were receiving that because of psychological or psychiatric conditions while 27,911 were receiving the benefit because of systemic disorders. In 2008 82,879 people were receiving an invalids benefit of whom 23,294 were receiving the benefit because of a psychological or psychiatric condition and 32,704 were granted an invalids benefit because of a systemic disorder (Ministry of Social Development, 2009, Table 3.24). These two figures account for almost all of the increase in Invalids benefit numbers over that four-year period. Again, of the 11,833 who were granted an invalids benefit in 2003/2004, 1,546 had not received a benefit in the previous four years, compared with 2,491 out of a total of 16,351 granted in 2007/2008, an increase of two per cent (Ministry of Social Development 2009, Table 3.25).

Of the 8,129 invalids benefits cancelled in 2003/2004 1,089 were cancelled because the beneficiary obtained paid work. In 2007/2008, 9,755 benefits were cancelled. Of these 1,650 were cancelled because of obtaining paid employment, an increase of three per cent (Ministry of Social Development 2009, Table 3.27). It is worth noting that a recent commentary from the OECD reported that New Zealand is significantly lower than the OECD average in incapacity benefit receipt but is rising faster than the average (Queisser 2010).

The widows benefit figures are particularly interesting in that the largest proportion receiving a Widows benefit recipients are between the ages of 60 and 64. For example, in 2008 2.5% of those receiving a Widows benefit were in this age group compared with less than 1% in the 50 to 59 age group (Ministry of Social Development, 2009, Table A3.9). In 2003/2004, 1,245 of the 2,017 Widows benefits granted had not received a benefit in the previous four years while in 2007/2008 this applied to 982 beneficiaries of a total 1,676.<sup>8</sup>

Moving then to registration as a jobseeker, of the 104,360 registered as a jobseeker in 2004, 14,024 had been registered for four years or more. In 2008 5,616 of the 45,643 had been registered for four years or over (Ministry of Social Development, 2009, Table 3.36), a slightly lower percentage. Of the 244,574 who were registered as job seekers in 2003/2004, 93,509 were de-registered because they had entered paid work. In 2007/2008 this applied to 30,379 of

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<sup>8</sup> Of the 35,558 granted New Zealand superannuation in 2003/2004, 25,312 had not received a pension or benefit in the previous four years while four years later this applied to 30,048 of the total of 39,520 people granted national superannuation (Ministry of Social Development, 2009, 74. Table 3.51)

a total of 103,621 de-registrations (Ministry of Social Development 2009, Table 3.39), a figure which is approximately 6% lower.

Given the available evidence, why the myths persist? The answers to that question require exploration of the role which those myths have in current social and economic arrangements. The myths serve as a useful basis for continuing to treat beneficiaries as third and fourth class outsiders ("others" in Lister's (2004) terminology) and thus it becomes possible to justify inadequate benefit levels, lack of support and general hostility. It serves too to emphasise distinctions between those who are in work and those who are caring for dependants or require assistance and support from the state; it fits comfortably with and reinforces the individualism and individualist frameworks of neoliberalism and contemporary capitalism. The myths enable and ensure that blame and responsibility are located individually, and that further exploration of social and economic relationships and systems is not required.

Gibson (1995: 22), captures much of this in her conclusion:

*The problem, then, is **not** the problem of dependency per se (emphasis in original). It is the problem of how dependency within social policy is constructed, at both the individual and the societal level. At the individual level, it is the lack of alternatives coupled with a discretionary control over whether the assistance is given, which renders a particular exchange an undesirable one. At the societal level, it is the labelling of particular groups of people in particular circumstances, most notably those who have no other alternatives to escape the situation or the political power to do anything about the way in which they are treated, which allows the construction and application of the particular social label - dependent.*

Thus this labelling not only allows construction of welfare dependency but also facilitates particular responses to those who are 'dependent'. The labelling leads to sets of responses in which those who are 'dependent' are treated in a punitive manner and excluded from social and economic participation. 'Dependency', particularly on a social welfare benefit, means that the person on the benefit is excluded and that dependency leads to being treated as an outsider, rather different from being 'dependent' on tax credits or on superannuation.

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## Whanau Ora policy is an enlightened way forward for all New Zealanders

*Naida Glavish*



30 April, 2010. *Naida Glavish, chairwoman of Te Runanga o Ngati Whatua, writes:*

The Whanau Ora policy has the potential to be one of the most forward thinking initiatives by any New Zealand government for generations. New Zealand has a reputation for being a testing ground, a population of early adopters of everything from the welfare policies of Michael Joseph Savage in the 1930s to our hunger for new technologies such as cellphones and texting in the 1990s. In fact we've been a testing ground for millennia, since my Ngati Whatua ancestors voyaged across Te Moana Nui a Kiwa (the Pacific Ocean) to experiment with a new life in Aotearoa.

Industries like the music business launch new tours and the latest CDs in New Zealand because it is a microcosm of the large Western nations of Europe and the US and a good place to trial something new. We are courageous and innovative as a people and have long punched above our weight when it comes to trying out new ideas. Our Treaty settlement processes have been watched and admired by indigenous people and government leaders around the world, as developed and developing nations seek to put right the ravages of colonisation and the industrial era that stripped many of their mana, their culture and their resources.

Now, New Zealand again has the opportunity to lead the world with Whanau Ora, that if adequately funded and supported, could significantly impact the well-being, not only of Maori, but of all those in our society who turn up on the radar as negative statistics in terms of health, wealth and lifestyle. Whanau Ora is an enlightened policy for our times because it is time for reintegration in society, where we seek holistic outcomes to ensure we are healthy in every sense of the word; healthy in mind, body and spirit.

Humanity, in its huge advances in technology and knowledge, has also created suffering; the breakdown of community, of family, alienation and loneliness. We seem to find new illnesses almost daily; strange allergies, confusing mental sicknesses and viruses. Whanau Ora, in its holistic approach, provides an opportunity to turn the tide on this disintegration of our society, of our health and well-being. Whanau Ora can be something, not to be viewed negatively as some sort of "iwi money grab", but as a solutions-focused approach to a wide range of issues facing Ngati Whatua and all iwi that include justice, housing, social welfare, health and education.

Whanau Ora is very simple. A basic translation of Whanau and Ora, is family and health. But as with many Maori words there are many depths and dimensions to these two words. They are concepts, holistic concepts. Whanau, as family, is not only about the extended family, but a family's ancestors, and those not yet born. Maori families have lost track of the natural order and hierarchies of their whanau. The restoration of this will enable us to achieve "ora", health and well-being physically, mentally and spiritually.

The way to this restoration and reintegration is to develop one-stop shops where the wide range of issues I have mentioned are treated as one whole, and we end the dependence lifestyle where Maori trundle from government department to government department failing to get any resolution or solution to their needs. This will also end the huge waste of time and money that has failed to impact on the negative statistics.

Whanau Ora has the potential to restore three critical values that are the very essence of life for iwi such as Ngati Whatua - mana, manaakitanga and kaitiakitanga. Mana is familiar to many in Western society and is often translated as pride. Manaakitanga can be translated as being of service to others, thinking of others ahead of one's self, and kaitiakitanga is often described as guardianship of the environment. These concepts almost uncannily match the concepts of sustainability; a balance of economic, social and environmental development.

Our providers of goods and services, and those tasked with improving our economic, social and environmental performance could learn a lot from the holistic model of Whanau Ora as it develops, and of the sacred and powerful concepts of mana, manaakitanga and kaitiakitanga.

The world desperately needs a new way forward to survive the major challenges of our times. Perhaps the answers lie in some of our most ancient ideas and cultures that used these structures for living successfully for many thousands of years. In fact far longer than the economic and societal political and legal structures we use today, that are only several hundred years old and are failing.

Link: [http://www.nzherald.co.nz/health/news/article.cfm?c\\_id=204&objectid=10641661](http://www.nzherald.co.nz/health/news/article.cfm?c_id=204&objectid=10641661)

## **Our lurch from sphere of grief to miseries of life** *Chris Trotter*

The Dominion Post 17 September 2010 <http://www.stuff.co.nz/dominion-post/4138008/Our-lurch-from-sphere-of-grief-to-miseries-of-life>

The distinction between necessary and unnecessary suffering defines the limits of political rationality," writes Dr Maurice Glasman, director of the London Metropolitan University's Faith & Citizenship Programme.

*"In delineating a domain of pain which is amenable to concerted amelioration from a sphere of grief that is immutable, it defines the power of society to respond to the miseries of life."*

Ah, yes, Dr Glasman, but where does "the domain of pain" end and "the sphere of grief" begin? At what point, exactly, does it become politically irrational to attempt to ameliorate the pain of one's fellow citizens? How immutable does a person's situation have to be before we're willing to consign her to that hopeless "sphere of grief"?

These were the sort of questions I wrestled with for most of last Friday at a public forum jointly organised by Auckland University and the Child Poverty Action Group. "Rethinking Welfare for the 21st Century" attracted some pretty heavy hitters - most notably two top-flight Australian academics, Professor Paul Smyth and Dr Peter Saunders, adding their intellectual firepower to the artillery of the CPAG angels in what is becoming an increasingly bitter social policy debate.

In addition to being professor of social policy at Melbourne University, Prof Smyth is also general manager of the Research & Policy Centre of the Brotherhood of St Laurence (a Christian socialist outfit founded by the radical Anglican priest, GK Tucker, in the 1930s).

The work of Dr Saunders - former director of the Social Policy Research Centre at the University of New South Wales - has been focused on the non-monetary indicators of social disadvantage. His research has pushed the concept of "adequacy" to the forefront of contemporary academic discussion about poverty relief.

The visitors' contributions, like their country of origin, were large and sprawling. Information and statistics were applied impasto to a succession of broad canvases. Indeed, the aptly named Peter and Paul turned out to be a couple of academic evangelists: "big picture" men, engagingly keen on wrenching the welfare debate from the clutches of the Right and "reframing" it. They came at their Kiwi audience like Aussie pace bowlers with a new ball.

It took the presentation of another Australian, Eve Bodsworth, to remind us that in spite of the fact that the "Lucky Country" has so much more wealth to distribute, its success in reducing the quantum of unnecessary suffering is really no greater than our own. Ms Bodsworth had recorded the experiences of Australian solo mums struggling to navigate their way through the labyrinthine cruelties of state and federal welfare bureaucracies.

In the plain speech of institutionally battered women, the "domain of pain" and the "sphere of grief" were brought vividly and heart-wrenchingly to life. Their words, and those used later by Kay Brereton of the Wellington People's Centre, was Reality's answer to the mumbled neo-liberal liturgy of Paula Rebstock with which the forum began.

I suppose it was gutsy of the chairwoman of the Government's hand-picked Welfare Working Group to show up at all. Certainly it was valuable to learn exactly how vast is the gulf between the world of the Government's advisers and its victims.

Ultimately, of course, the Government's principal advisers are the people themselves, and it was that singularly inconvenient truth that kept breaking through the presentations of Susan St John, Paul Callister, Keith Rankin, Louise Humpage, Cindy Kiro, Manuka Henare, Mike O'Brien and Sue Bradford.

Seventy years ago, New Zealanders won international acclaim for their "concerted amelioration" of unnecessary suffering. The Welfare State decisively redefined our society's capacity to "respond to the miseries of life".

Seventy years after Savage and Fraser, and aided by a quarter-century of neo-liberal social policy, New Zealanders' "pain threshold" has risen dramatically. And though those gathered last Friday would be loath to admit it, the "political rationality" of 21st-century capitalism is much less compromised by social sadism than social justice.

## What the Welfare Working Group report really says *Anne Else*

16 August 2010, *Letter from Elsewhere*

Buried deep in the report of the Welfare Working Group, "Long-term benefit dependency: the issues", are two remarkable pieces of information.

First, "New Zealand's rate of employment for disabled people is one of the highest in the OECD. Around two in three disabled people, with low or medium levels of support needs, are in employment." So are one in three of those "with high support needs". Second, "New Zealand's employment rate (64 percent of the working age population are in employment) is one of the highest in the OECD."

So far from being over-run with beneficiaries who are perfectly capable of taking on paid employment, despite being solely responsible for looking after children, being sick, or being an invalid, we actually have more people - including more disabled people - already in employment than other comparable countries. This is, to say the least, rather surprising, because the rest of the report goes to great lengths to convey exactly the opposite. It repeats no less than six times the information that 170,000 people have been on a benefit for at least 5 out of the last 10 years, without ever attempting to analyse what their circumstances are.

One of its master-strokes comes in Figure 3.3: "The growth in the prevalence of benefit receipt among the working age population, 1960 to 2009". In 1960, the majority of women - especially mothers - were not officially in the labour force at all. New Zealand had one of the lowest female participation rates in the developed world. There was no DPB and no legal abortion. Deserted or divorced mothers, no longer able to depend on a male breadwinner, were in such dire straits that some had to give their children up for adoption - as many single mothers did. Invalids, the disabled and the mentally ill lived mainly in institutions.

But not content with going back to 1960, the WWG has produced a graph where the spaces between the trend lines are neatly filled in, in different colours. So the DPB swells in gold at the bottom and the UEB surges up like a great grey mountain range at the top, while the thinner but still alarming layers of widows, sick and invalids spread across the middle. The result is the most distorted presentation of statistics I have ever seen in a government-sponsored document.

The preface says the WWG was established "to conduct a fundamental review on New Zealand's welfare system and to make practical recommendations on how to improve economic and social outcomes for people on a benefit and New Zealanders as a whole." In fact it wasn't asked to do this, and it hasn't. As the introduction shows, the "primary focus" was much simpler: "addressing issues of long-term welfare receipt".

The first issue seems obvious: poverty. The Ministry of Social Development's own statistics show that living on a benefit is highly likely to mean living in hardship and often in "severe and significant" hardship - especially if you're a sole parent with children. And the longer you stay on a benefit, the poorer (and often sicker) you, and they, get.

When the 1969 National government set up a Royal Commission to look at social security, adequacy was the first issue it was asked to consider. It decided that the whole point of benefits was to ensure that no-one was:

*"to be so poor that he cannot eat the sort of food that New Zealanders usually eat, wear the same sort of clothes, take a moderate part in those activities which the ordinary New Zealander takes part in as a matter of course. The goal is to enable any citizen to meet and*



*mix with other New Zealanders as one of them, as a full member of the community – in brief, to belong.*” (New Zealand Royal Commission of Inquiry into Social Security Social Security in New Zealand: Report of the Royal Commission of Inquiry [1972] IV AJHR H 53, p.62.)

Perhaps setting benefits to achieve this meant that people who had to go on them could get off them much more easily than they can now? Maybe higher benefits mean a faster return to paid work? And for those who have to stay on them, a much greater chance of contributing in other ways – not to mention less misery?

But the WWG was told not to bother with any of this: “Our terms of reference do not cover the adequacy of benefit levels”. So it didn’t. And it certainly didn’t consider whether very low benefit levels might make it harder to get off them. But it couldn’t entirely avoid the issue. There’s a chart on page 63 that shows average benefit payments as a proportion of the average wage. The peak came in the late 1970s, when it reached around 44%. Since then it’s fallen more or less steadily. By 2009 it was well under 30% of the average wage. The projections show it continuing to fall, till by 2050 it will be less than 20% of the average wage.

How anyone could actually live on such incomes is of no interest to the WWG. Paying benefits at a sustainable level is not a principle which the WWG endorses or even mentions. It takes it for granted that being on a benefit inevitably means living in poverty. So receiving a benefit long-term is inevitably not going to be good for you or your children. This then becomes an argument not for raising benefit levels, but for getting people off benefits of every kind (except superannuation, war pensions and ACC, but they’re working on that too).

What is to be done? The WWG is sure it knows the answer, because it knows the reason.

*“There are a range of explanations for people spending longer periods on a benefit. Part of the explanation relates to people’s personal circumstances. However, it also relates to how the support that people receive when in the benefit system affects their ability to locate and sustain employment. Our conclusion is that a lack of consistent work focus makes it difficult for the most vulnerable groups to secure employment.”*

And again (repeatedly, but twice will do here):

*“People on a benefit long-term are disproportionately [my italics] on the Domestic Purposes Benefit, Sickness Benefit and Invalid’s Benefit, rather than on the Unemployment Benefit. The lack of a consistent work focus on these benefits has contributed to people remaining on a benefit for long periods.”*

It’s really quite simple. More work focus equals shorter benefit receipt, regardless of the reason for being on a benefit in the first place. Given enough consistent work focus, almost everyone, despite ill-health, disability or sole parenting, should be able to support themselves from paid work. For many, especially sole parents on low wages, it’s likely that the government will have to subsidise their earnings by almost as much as the benefit. The WWG barely mentions this, though one graph (Figure 5.4) gives some idea of the truth (and, incidentally, the appalling complexity of the benefit system): for most sole mothers, it is only these subsidies that “make work pay”.

At one point the WWG attempts to show that it understands what parenting – let alone sole parenting – involves. It is hard to grasp how the embarrassing result ever made it into the final report:

*“Care involves activities like over-seeing health and safety, controlling inter-child conflict and feeding. Education involves more active learning. The OECD notes that ‘care shades into*

*education... [and that] appropriate adult-child ratios decline as the child gets older and care needs diminish'."*

This is straight out of *Oliver Twist*. It harks back to the bad old days (lasting until the 1980s) before New Zealand governments accepted that childcare and education are inseparable. But the WWG knows better. Moreover, once out of babyhood, the children of the poor have no right to the luxury of even one parent's full-time attention.

Another graph, Figure 5.3, tries to show that the more "work focus" applied to sole parents, the lower the numbers of DPB recipients. In fact the numbers move broadly in line with the state of the labour market, both male and female (jobs are still strongly divided by gender). Despite Working for Families, DPB numbers began to rise sharply as the recession took hold.

And this, of course, is the looming elephant in the room. At a time when straightforward, no-job unemployment has soared, especially among Maori (over 16%) and Pasifika (over 14%), what on earth makes the WWG think that this is a good time to crank up the pressure on those who face so many extra hurdles to earning enough to live on?

It is probably true that for many people now on a benefit other than the UEB, having a decent, safe, accessible, manageable job to go to would improve their lives - though probably not as much as simply having enough to live on, rather than barely survive; and certainly not as much as getting the help they need to deal properly with the circumstances and conditions which made them dependent on a benefit in the first place.

But with its other hand, the government has been busily kicking away possible ladders. It has removed the Training Incentive Allowance for sole parents, as well as the cheap evening classes thousands of people used to better their lives, and ensured that entry to university is restricted. Health care is under siege too, with Wellington's CEO resigning because he was unable to make more cuts without damaging care.

There is almost no indication in the report that the WWG has any notion of what keeps people on benefits long-term, or what their lives are like, or what amazing feats of survival they perform every day. To the WWG, all that matters is that they are not working (or not working enough):

*"When people lose their jobs [meaning, become ill or disabled or have to care for children alone] they are classified in a way that emphasises extra difficulties, rather than the fundamental need for employment."*

Make benefits hard enough to get, regardless of these "extra difficulties", and the problem will be solved. Where the jobs are to come from is not worth discussing.

To be fair, there is one revealing hint in the report that the demand for labour - or at least for cheap, flexible labour - did influence the WWG's thinking:

*"Allied Workforce also notes that employment legislation (personal grievance laws, the ever-increasing minimum wage, and the now defunct youth rates) can be counter-productive to the interests of those they seek to help."*

Allied Workforce says it is now the largest supplier of casual and temporary labour-hire in New Zealand, with 27 branches from Kaitia to Invercargill. Despite the recession, its after-tax profit to 31 March was \$2 million, slightly down from the previous year's \$2.1 million, but enough to push its shares up 18 percent. Its managing director, Simon Hull, says "a number of businesses are ... rediscovering the ways in which contract labour can reduce costs and increase productivity

for industry.” He hopes businesses will shift to hiring casual labour, rather than keeping on permanent staff they don’t need:

*“Hopefully, we won’t see a return to the patterns of four to five years ago where businesses clung on to staff, often even when they couldn’t keep them fully utilised, as they were afraid of losing the capacity. Companies like ours are best placed to manage and place people where and when they are required for industry. That way when a particular skill set is required you pick up the phone and it’s there, and when you no longer need it the cost is gone.”* (Scoop, 28 July 2010, <http://business.scoop.co.nz/2010/07/28/contract-labour-demand-strong-despite-recession/> )

It doesn’t take much thought to understand why it would suit Allied Workforce and its shareholders – 25 of whom own 18.6 million shares – to have a lower or no minimum wage, a return to youth rates, and easier dismissals. And the government is listening – the last has already been achieved, with the extension of the 90-day provision to all workplaces.

Creating a larger pool of desperate job-seekers partly subsidised by the state would be a big help too.

\* *Writer and social commentator Anne Else blogs at <http://elsewoman.blogspot.com>*

## The Welfare Working Group's latest round of welfare bashing

*Gordon Campbell*

26 November 2010, at: <http://www.scoop.co.nz/stories/HL1011/S00232.htm>

In its Options report this week, at least the Cabinet-appointed Welfare Working Group was clear about whose interests it is there to serve: 'The evidence on what is effective in helping beneficiaries into paid work is clear – effective interventions need to have a focus on employers and their needs.' That would be fair enough if the focus on 'employers and their needs' actually meant a recognition that you can't kick people off welfare without there being jobs for them to fill. In fact, the WWG brushes that unfortunate reality aside:

*Many submissions, while acknowledging the importance of paid work, expressed anxiety about the availability of jobs for people looking for paid work. On the other hand, many employers have told us of the difficulties they have had in recruiting people into entry-level jobs. While this problem was less pronounced during the recession, they indicate it is once again emerging.*

So... the overall lack of jobs in the current economy for the 338,000 people of working age on benefits is brushed aside with the non sequitur that some employers have been having problems in the past in finding people to fill some 'entry-level' jobs. Not recently mind you – but since the WWG believes that the recession and its impacts on employment are now allegedly over, this 'problem' about entry level jobs is now re-emerging.

Really? The job market is picking up and people are turning down the jobs readily available to them? That's a country I'd like to visit. But in the country that most New Zealanders inhabit, the job market hasn't picked up, the recession's impact on employment is ongoing, and - to take just a couple of examples during 2010 - public service restructuring in Wellington and local body restructuring in Auckland have been pushing people out of work, and onto an already crowded job market. Not that you'd know it from the WGG report.

The WWG has a core problem in selling the notion of a welfare system in crisis, and a nation lacking the motivation to work. Reality check: when work was available in the 2000s and job searches were being case managed, unemployment sank to record lows with fewer than 20,000 on the dole. Conclusion: when jobs are there, people work: and when they aren't, they can't. It's not as if a motivational crisis has suddenly engulfed the country in the last two years, when none existed before the recession.

Not that the WWG seems interested in an honest evaluation of the statistics on employment anyway, and the academics on this panel should be ashamed at putting their names to the distortions used to support the report's ideological bias. The panel is happy for instance, to trumpet a headline rate of 338,000 people of working age on benefits. Over at The Standard, there is an excellent unpicking of the ingredients of that figure: 85,000 have severe mental or physical disabilities. 58,000 have been documented by medical professionals as sick, 112,000 are raising children alone, and 65,000 are actively looking for work. As The Standard concludes:

*In fact, when there were jobs for nearly everyone there were just 1,700 long-term unemployed who had been on the dole for over 4 years. If there are any bludgers they are a subset of those 1,700. Hardly worth turning the lives of 338,000 people and their families upside down over.*

Currently, The Standard adds, even the harsh abatement rates for the income of those on benefits do not appear to sap the motivation of a large segment of beneficiaries from taking up part time work, when and where it is available. Nor is the cost of welfare provision sopping up

an intolerable share of the nation's resources. And let's not forget that our society manages to support, via the benefit system, 12% of the working age population and their families by expending less than \$5 billion on those benefits. That's less than the income of the wealthiest 13,000 New Zealanders.

So... we don't have a welfare crisis. Nor do we have a motivational crisis revolving around our readiness to work. We therefore don't need to stigmatise people who are already going through a hard time, though the WWG seems hellbent on doing so: '[Reform] might involve delivering strong public messages about the use of the benefit system,' Yep, branding the vulnerable as bludgers always helps. In reality, what we have is a job-creation crisis in the wake of a global recession, and the responsibility for dealing with that crisis rests with central government and, to a lesser extent, with employers and investors. They alone have the tools to bring about positive change in work creation. No amount of positive attitude by a solo mother is going to create a job in her local supermarket, when it is currently laying off staff. Why is this reality so hard for the Welfare Working Group to grasp - and why are they so willing to punish women bringing up children on their own?

One could go on, and pick apart the WWG's casual denigration of the parenting work being done by sole parents. Elsewhere, WWG chair Paula Rebstock has expressed puzzlement at the relatively low ratio of sole parents in New Zealand in paid employment compared to other countries, as if this is evidence of some lack of national moral fibre. (Again, no consideration as to (a) the provision of childcare in those countries and (b) the social costs of enforced work requirements, in countries such as the US.) In line with its generally punitive approach, the WWG raises the prospect of term limits on welfare as a salutary motivational tool to get people into work, Again this is being offered without consideration of the consequences for children in families whose means of support would be terminated.

The WWG once again raises Rebstock's pet project of unemployment insurance, along the lines offered in Canada. Here's an update of how badly Massachusetts is faring with a similar unemployment insurance scheme: Businesses are facing rate increases of up to 40 per cent to replenish the unemployment insurance fund, which is expected to end 2010 with a significant deficit.... Massachusetts' average unemployment insurance of \$646 per employee is scheduled to jump to \$904 in January, adding hundreds of millions of dollars in additional costs to Bay State companies. "If it's not a job killer, then it would at least stifle growth," said Paul Guzzi, the president of the Boston Chamber of Commerce.

[Massachusetts Governor Deval] Patrick has not indicated how he would deal with the problem. Earlier this year he signed legislation that froze previously scheduled rate increases, and a spokeswoman yesterday said another freeze is under consideration. "The governor will focus on the need to maintain fund solvency, keep business costs down, and provide benefits to people who need them when weighing his options relative to another freeze," said the spokeswoman, Kimberly Haberin. The administration did not say what it would do if the unemployment fund runs a deficit.

Clearly then, during a recession, unemployment insurance imposes unsustainable costs on employers and on government. Just as the welfare system does. No magic bullet there. No 'welfare crisis' either. Just hard times, which we should be dealing with by other means than stigmatising the most vulnerable people in our communities. In a year's time, will the government be willing to tell the Pike River families to get off their backsides and get off welfare?

## **Welfare Group doles out benefit bashing** *Finlay MacDonald*

Sunday Star Times 28 November 2010, **Opinion**.

Link: <http://www.stuff.co.nz/sunday-star-times/opinion/4398446/Welfare-Group-doles-out-benefit-bashing>

Here's a quote to conjure with: "Long-term inability to find decent paid work for the able-bodied is very destructive at every level: it destroys initiative and drive, cripples the future opportunities of children, encourages family breakdown, fuels intergenerational dependency and the growth of the underclass, and is an enormous cost burden on society that the country cannot afford."

Who could disagree with that? Unfortunately, this line from an anonymous "online submission" to the Welfare Working Group, featured prominently in the executive summary of its just released options paper, doesn't use the words "inability to find decent paid work". It prefers the term "benefit dependency". In a nutshell, that sums up the Working Group's position.

The paper itself pretends to lay out the supposed options for welfare reform available to the government, which has already signalled its approval – as it might well, having essentially set it up to deliver the findings it wanted. Well, that's politics, and far more surprising would have been the National-Act bloc applauding anything other than the usual old benefit bashing.

Yet, as the above counterfactual quote shows, framing the long-term consequences of social and economic failure as a problem of "welfare dependency" is merely an exercise in wilfully looking down the wrong end of the telescope. It's like peering into an overcrowded household where malnutrition and meningitis have broken out and observing piously that the inhabitants will be a burden on the health system unless they get better.

Just the language of "welfare dependency" is misleading. Most studies I've seen show that benefits are largely used as they're meant to be, and that the majority of people stay on them only as long as they need to. Obviously, there are those who exploit the system as was never intended, either through guile or inadequacy, and who might accurately be termed "dependent". Rehabilitating that group is undoubtedly a worthwhile goal, but it strikes me as slightly less urgent than creating an economy that absorbs (without exploiting) the many more people who want to make a contribution and be rewarded fairly for it. One looks in vain in the Working Group's literature, however, for any serious consideration of the macro-economic context, let alone the tacit acknowledgement that, during a deep and destructive recession, it's just crass to be finger-wagging about paid work being "of fundamental importance to well-being".

What you will find, though, is the usual inept scaremongering about the fiscal apocalypse awaiting the welfare state if all those feckless dependents aren't incentivised out of their present torpor.

It was pointed out at the time that the group's earlier "issues" paper (released in August) cynically claimed "the total future costs for all those currently on a benefit amounts to around \$50 billion" without any disclaimer that this could only happen if everyone on those benefits stayed on them their whole lives. It's like pretending there will be a future shortage of crutches based on the number of legs being broken every year multiplied by the average lifespan.

Even more insidiously, the same paper offered a table purporting to show "the growth in the prevalence of benefit receipt among the working age population, 1960 to 2009". It's a pretty

weird graph if you look closely – the spaces between the various benefit lines are blocked out with colour so as to give an impression of ballooning welfare numbers, while the apparent fluctuation of those trends in line with changing economic fortunes goes unremarked.

As social policy analyst Anne Else observed, "in 1960, the majority of women – especially mothers – were not officially in the labour force at all". Reform of matrimonial property and abortion law had yet to happen, and the majority of long-term invalids, disabled and mentally ill people were institutionalised. In terms of general employment, roughly half the period in question is pre-Rogernomics. "The result," wrote Else, "is the most distorted presentation of statistics I have ever seen in a government-sponsored document."

Distorted thinking will do that. Behind every sentence in the Working Group's reports seems to lie an assumption that too many people are nothing more than work-shy. There isn't a scrap of insight into why this might be or, conversely, why the surest route to abject poverty – staying on a benefit – is apparently so appealing to so many.

But – who knows – maybe they really do enjoy it. In which case, they'll be sure to love whatever comes next.