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The dream is over, but has the nightmare just begun?

It was not unexpected that the government would unveil a package of reforms ‘aimed at breaking the cycle of welfare’. Reminiscent of the language of Ruth Richardson’s ‘mother of all budgets’, Paula Bennett says “These changes mean New Zealand’s welfare system provides help for those who genuinely need it, without becoming a lifestyle choice for those who don’t.”

The figures show 345,000 New Zealanders currently receive either independent youth, unemployment, sickness, invalid or domestic purposes benefit (DPB), and this costs taxpayers \$4.8 billion a year. This does not tell us anything about the size of the long-term welfare dependency problem.

Is this reform designed to help the people who somehow ‘choose’ to live at the poverty line become socially included, or is it to save money and salve moral indignation? John Key says the package is about ‘improving outcomes for beneficiaries’ but saving costs is clearly the main aim. He gives the example: “if we were to assist just five percent of sole parents with a youngest child aged over six into work, there would be a saving of almost \$200 million over the next 10 years.”

The savings claim needs closer examination. Five percent of DPBs with a child over 6 represents 2150 sole parents. Leaving aside the obvious lack of jobs and the question of

who gets shunted out of the job market so that the 2150 sole parents get work, how does Key get that \$200m figure?

The current net annual cost of the DPB is \$14,144. The usual situation is that the benefit provides short-term help for a few years. Sole parents then come off the benefit either because they go back to paid work when their situation allows them to do so, or they re-partner. It appears that Key is assuming, heroically, the new policy will save an average of 6.5 years extra years of DPB for each of the 2150 sole parents it moves into work. This would produce a net saving of around \$200 million.

While this calculation takes no account of the amount of the DPB which is not funded by the government but by child support payments from ex-partners, it has more serious flaws. It fails to account for all the other costs that the government will incur. Did Key forget that when the 2150 people go back to work, instead of the benefit, the government will have to pay the In Work Tax Credit of at least \$3000 a year? And if each sole parent works at least 20 hours at the minimum wage they also qualify for an annual \$9152 of the Minimum Family Tax Credit.

The cost to the government of these extra Working for Families payments for the 2150 sole-parents for 6.5 years is \$170m. Then there are the extra after-school childcare subsidies and expenditure on case management that will be needed. If single people are squeezed out of the casual labour market to accommodate these extra sole parents more unemployment benefit will be required. So, John Key's \$200m saving is in fact, an illusion.

In the meantime, there is no guarantee that the work will be stable and long term. Moreover, these 2100 sole parents are not retrained for higher skilled work but may be trapped in low paid jobs with no incentive whatsoever to work more than 20 hours because every extra dollar earned cuts their Minimum Family Tax Credit by a dollar.

There are already very strong incentives for sole parents to get off the DPB. These include dissatisfaction with a harsh lifestyle, loneliness, and loss of social status. The government says that that they will now be expected to take any offer of suitable employment and that "Sole parents will lose 50 per cent of their benefit if they do not comply with their work obligations". Who is the judge here? Where is the right of

appeal? What about the needs of the children? The Marmot report: *Fair Societies, Healthy Lives*, just released in the UK, explicitly recognises that getting people off benefits into low-paid, insecure and health-damaging work is not a desirable option.

New Zealand's figures show clearly that when the job conditions are favourable and unemployment is low as it was between 2004 and 2007, benefit numbers fall. When the jobs are not available as in 2009, benefit numbers rise very rapidly again, despite expensive work-related tax credits. Helping sole parents retrain when they are ready with a training incentive allowance or an adult education class might help but sadly that is off the government's agenda.

The Future Focus policy raises the extra weekly earnings cap to \$100 a week which is a small step in the right direction. But any work incentive will fall flat if adequate childcare and transport, and suitable work, are not available. There are few philanthropic employers willing to provide very flexible terms of employment and tolerate recurring days off for children's ill health and school holidays.

Raising happy and healthy kids is a parent's dream but trying to do this as a sole parent is sheer hard work. They don't need it made into a nightmare by mean-spirited and so last century, visionless 'welfare reforms'.