

# CHiLD POVERTY ACTION GROUP

*January 2012*

***Welfare Working Group recommendations, released 22 February  
2011:***

## ***Promoting the wellbeing of children***

### ***Introduction***

The Welfare Working Group (WWG) reported back to the Government with its recommendations for 'reducing long-term benefit dependency' in New Zealand (Welfare Working Group, 2011, p. 101). The Government's premise that New Zealand has a problem with long-term welfare dependency set the questions the WWG asked, and how it went about answering them. Child Poverty Action Group (CPAG), along with dozens of other community organisations, contributed submissions,<sup>1</sup> however the main thrust of many submissions was ignored as the WWG set out to prove New Zealand has an 'unsustainable' dependency problem, and that moving welfare recipients, and sole parents in particular, into paid work will make them and their children always and unambiguously better off.

A recurring theme throughout the WWG's publications (Welfare Working Group, 2010a, 2010b, 2011) is that eliminating 'dependency' is necessary for the wellbeing of children, as are increased expectations and responsibilities for their parents. The only evidence for

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<sup>1</sup> Available <http://ips.ac.nz/WelfareWorkingGroup/Submissions%20on%20Options%20Paper.html>.

'dependency' is provided in some misleading graphs (see for example Else, 2010). Yet the WWG provides figures showing New Zealand's labour force participation rate (including the labour force participation of disabled persons) is high by OECD standards. This indicates that 'dependency' as measured by the proportion of the population not in paid work is not the problem that the WWG (2010a, p. 37; 55) claims it to be.

In common with welfare reform in other liberal welfare regimes (Esping-Andersen, 1990), including recent proposals in the UK, the WWG argues that sole parent beneficiaries 'must take greater responsibility', where 'responsibility' is compliance with putative societal norms. There is seldom any corresponding responsibility argued for the role that the state must take to alleviate poverty or ensure income security. Rather, proponents argue state spending ought to focus on supporting parents into paid work. Thus the WWG recommends, for example, increased funding for job seeker support, including early childhood care and education (ECCE, although the WWG refers to it as ECE), and after-school programmes.

The structure of this paper is as follows: the paper begins with a brief outline of the history of and rationale for the welfare state. The purpose of this is to recall why a centralised welfare state that provided public goods and universal entitlements for the needy was considered desirable, and to give a sense of how far the welfare reforms of the last 30 years have strayed from this. The section after this outlines the principles CPAG believes should be considered in the process of reforming the welfare system. Following each of these is a general commentary on the WWG's position, and an analysis of that position. This establishes the base from which the WWG was working, and sets a context for what follows. The paper then considers in detail the recommendations contained in Chapter 7 of the report, *Promoting the Wellbeing of Children*, followed by an analysis and commentary on other recommendations contained in the report that are relevant to children. The conclusion provides a short overview of the preceding analysis.

### ***The rationale for universal, state-run welfare***

Historically, there have been two key welfare problems for the polity: providing support for those who are unable to earn a living, with the associated problem of distinguishing those who are unable to work from those who won't; and providing for sole women<sup>2</sup> with children and other dependents. Over the centuries all manner of disincentives to unemployment – and sole mothers – have been used, including branding, putting the unemployed in stocks, banishment from the parish (welfare payments, such as they were, were funded and administered locally through rates on land), and, as a last resort, capital punishment. In 1834 the Poor Laws (Victorian England's major welfare reform) formalised the use of workhouses to contain and care for the poor, and introduced the principle of less eligibility. This was the idea that life in the workhouse had to deter the 'indolent and vicious' so that only the truly desperate, including the disabled and single mothers, would stay there. Outdoor relief (cash support outside the workhouse) was, at least in theory, severely limited.

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<sup>2</sup> Historically, sole fathers are less common and politically less vexing.

The social misery of the working classes in 19<sup>th</sup> century Europe, and England in particular, is well recorded (Engels, 1845 [1973]; Morris, 1994). The poverty of the unemployed and sick was even worse, in part because the shocking state of the workhouses did indeed keep many of the poor on the streets and at the mercy of private charities or the informal economy. It is from this era that we have Dickens' tales of impoverished orphans, and children left on church steps, usually to end up as cheap labour in factories and wealthy households. A board accountable to Parliament for the conditions in workhouses was established after a series of scandals, including appalling living conditions and food poisoning. Greater state provision for the less fortunate, including the victims of industrial accidents, started to replace private charity, which was clearly failing to provide for so many who needed assistance – especially children and young people. In essence, the role of welfare provision moved to the centralised state to overcome the inconsistencies and gaps of private charity, and mitigate the negative effects of the demographic and social changes in an industrialising, urbanising society (see generally Daunton, 1996; and Pierson & Castles, 2006).

In its *Issues Paper* the WWG gives a brief history of New Zealand's welfare system (Welfare Working Group, 2010a, pp. 7-8). It avoids discussing the reasons for the implementation of a national social security system, including the mass unemployment of the 1920s and Great Depression, and the dire conditions suffered by many New Zealand children living in households with little or no state support at that time. The 1938 Social Security Act marked a change towards community responsibility for the sick and unemployed, and the preamble to the 1938 Act states it is "to provide such other benefits as may be necessary to maintain and promote the health and general welfare of the community." This emphasis on the wellbeing of the collective is excluded from the ideology of division that underpins the WWG's terms of reference and its final report.

The Domestic Purposes Benefit was introduced in 1973 to enable sole parents to raise their children with a measure of financial security; prior to this sole parents had relied on maintenance (frequently unpaid) and discretionary government assistance. The emphasis was on providing for children and minimising the trauma parents and children might otherwise have to deal with in the event of separation or the death of a spouse or parent. The WWG has overturned this focus on the role of parenting, and chosen to focus instead on paid work as the sole source of social inclusion and wellbeing. In so doing it has recommended mothers be required to work 20 hours per week when their youngest child is aged three, and as young as 14 weeks in some cases, although the report is confused on this point.

The WWG argues that sole parents being in paid work is the norm in other countries. However, it fails to note that most other countries provide much better support and services to working mothers, are more likely to support motherhood as a valid social role, and some states, such as Norway, also have active job creation programmes (Cortis, Cowling, & Meagher, 2008, p. 12).

The centralised welfare state is the outcome of centuries of trial and error that, for all its imperfections, is a manifestation of intellectual and economic progress that supports the

ideals of citizenship and community, including assistance for the vulnerable. These ideals were embodied in the social security legislation of the 1930s. In New Zealand this was accompanied by the implementation of a national health system and the construction of state houses. In essence, the community, through its expression in a central state, moved to rectify self-evident market failure to provide steady incomes, access to health and safe, affordable housing, and the provision of public goods including infrastructure. This collective responsibility and universal provision has always been contested. The neo-liberal economic reforms that have occurred across the OECD over the last 30 years, and are now proposed by the WWG, have sought a return to 19<sup>th</sup> century paternalism and notions of personal shortcomings. In so doing, the WWG has “cancelled out history, and so attacked our country's nationhood” (Dalziel, cited in Misa, 2011).

In its final report, the Alternative Welfare Working Group recommended the goal of the welfare system should be the relentless pursuit of wellbeing (O'Brien et al., 2010, p. 8). This may mean assisting people into work, and supporting those who cannot. But it also means recognising that *unpaid* work, including caring for children, is of equal value. Such recognition is now long overdue.

## ***Principles for reform***

### **1. Raising children is work**

Throughout its three publications, the WWG refers constantly to the value of paid work for individuals, families and the community. In its final report the term ‘paid work’ is used 242 times. Unpaid work – caring for children and the disabled, the sick and the elderly – while recognized by the WWG in their discussion of the submissions received (2011, p. 52), is not mentioned once in the final report. Yet the 2009/2010 Statistics New Zealand *Time Use Survey* (2010) shows that parents with young children spend in excess of three hours each day doing childcare and other unpaid work, plus a further three hours doing housework. Clearly unpaid work is a large component of parents’ – especially mothers’ – time use. This unpaid work is a largely unrecognised benefit to wider society, and a significant economic benefit. Any cost benefit analysis of moving parents into paid work must account for the valuable unpaid work they presently perform.

The WWG’s dismissal of the work of parents, and the silence of the Government on the matter, appears to cut against the views of most New Zealanders. Research by the Families Commission (2008) found that 91% of respondents to a family survey said that parenting was “very important”, and 75% said other members of the family also agreed parenting was “very important”. Only 18% of respondents believed the Government saw parenting as “very important” (Research New Zealand, 2008, p. 2). Perhaps illustrating how out of step the Government is on this issue, Social Development Minister Paula Bennett recently said of looking after children that it is “sometimes work and sometimes it is fun” (Bennett, 2011).

*Notwithstanding the Minister's view, any reforms to the welfare system must recognise that caring for children is productive work, and as recognised by the respondents to the Families Commission research, it is very important work.*

## **2. Reducing child poverty must be the primary goal**

According to the WWG's own calculations, if the proposed reforms bring New Zealand up to the standard of the best performing OECD countries, child poverty will fall by one quarter. What happens to the other 170,000-odd children who will be left reliant on benefit income? How will moving them onto smaller payments over time or stressing their parents with the threat of sanctions improve their lives? This crucial question, neither asked nor answered in the WWG report, must be addressed and addressed prior to the implementation of any reforms.

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For many parents, paid employment does improve their incomes (albeit in many cases only because of hefty government top-ups (St John, 2011a)). However, given that many beneficiaries are unable to work the hours recommended by the WWG, attention must be paid to ensuring that families with children are adequately provided for. For many years now, children whose parents are not in sufficient paid work have been punished because of the employment status of their parents. The 1996 Child Tax Credit, renamed the In Work Tax Credit in 2002, is given to parents for their children only if parents meet strict paid-work criteria.

*Reforms to social assistance must refocus on the wellbeing of all children and lifting families out of poverty.*

## **3. Social assistance is not stand-alone social policy**

The WWG has considered welfare in isolation from the labour market, the tax system and other areas of social policy such as housing. However, children's needs, the availability of quality ECCE, and the location and availability of suitable work for sole parents all make up part of the complex mix of incentives and trade-offs that inform the decision about whether or not to work, and for how many hours per week. The prime purpose of parents is to meet their children's needs for emotional and material support, and as such may find that no work is available near their home (or at an affordable distance to travel), or the available work occurs at the very hours of the day or night when they need to be with their child, or that their child is recurrently sick because of an 'unhealthy' house, or that there are no ECCE places in the area.

The greatest weakness of the WWG's final report is the underlying assumption that the welfare system functions independently of the prevailing labour market, despite being told by the Ministry of Social Development that "unemployment rates have the largest influence on the future liability of people receiving an Unemployment Benefit" (Ministry of Social

Development Centre for Social Research and Evaluation, 2010, p. 2). Indeed, the WWG's faith in the effectiveness of the labour market to deliver jobs independently of the wider economy is evident in its statement that:

Active job search and retraining is also likely to increase the total number of jobs available...Active job search will also lead to increased employment because of the dynamic nature of the labour market. Even during a downturn there will be some firms and industries that are expanding...(Welfare Working Group, 2011, p. 53).

For the WWG the mere act of looking for work creates jobs. No evidence for this remarkable claim is cited. On the contrary, the evidence from the current Great Recession in the US shows clearly that the act of seeking work does not create paying jobs.<sup>3</sup>

The question the Christchurch Methodist Mission (2011) and others are rightly asking is: where are the jobs? Few people, including beneficiaries, would disagree that decent paid work is preferable to being on a benefit, but the reality is that there are not jobs for all who want them.<sup>4</sup> The recommendation that welfare rolls be reduced by 100,000 in the next ten years appears to have been made without regard to projections of sluggish or even negative economic growth (The Treasury, 2010), population growth and ageing, and an increasingly precarious global economic recovery (IMF, 2011; Reuters News Agency, 2011). There is no question about whether this anticipated reduction in the rolls is appropriate given all these factors.

The WWG did address the possibility of labour market fluctuations, however it did not address the issue of unemployment. Instead, using Treasury predictions (which have now proved to be wildly overoptimistic) it asserts that "employment is forecast to increase in the future" (Welfare Working Group, 2011, p. 53). This is accompanied by a graph showing the *number* of people it expects to be in employment rising into 2015. Of course we would expect the number of people employed to increase as the population increases. What this does not tell us is the *percentage* of the working-age population expected to be in *full-time* work. As we see later, the WWG wishes to strongly discourage part-time work, so it is important that the jobs Treasury expects will be created are full-time.

The WWG goes on: "A well functioning welfare system is important across the economic cycle, but it is particularly important when firms are expanding and new jobs are being created" (Welfare Working Group, 2011, p. 53). This suggests it is the role of the welfare system to prop up the labour market in times of economic growth, an inversion of the role normally seen for the welfare system.

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<sup>3</sup> In the US, after several years of 9-10% unemployment, the average length of time the unemployed remain jobless is now a frightening 41 weeks, the longest period since the Great Depression and well beyond the standard 26 weeks unemployment insurance coverage (Bureau of Labour Statistics, 2011). For millions of unemployed Americans surviving on food stamps alone, the implication that they have not been looking sufficiently hard for work is insulting and demeaning.

<sup>4</sup> Indeed, the WWG's projections are based on a background unemployment rate of 5%. See Ministry of Social Development Centre for Social Research and Evaluation (2010, pp. 5-7).

*The role of the welfare system is to provide support for people who are unable to earn a living. The role of the education system, industry training groups, and individual firms is to provide skilled labour. The welfare system cannot step into the skills gaps left by the dismantling of skills training institutions.*

#### **4. The regulation of private behaviour is not a fit and proper purpose for the social security system**

A feature of neo-liberal welfare reforms, particularly those in the US, has been attempts to regulate private behaviour through the welfare system, chiefly through sanctions for non-compliance with behaviours deemed desirable. For example, while most research and comment on welfare reform in the US has focused on monetary assistance, three of the four stated purposes of the reforms focused on promoting marriage, reducing out-of-wedlock births, and encouraging “the formation and maintenance of two-parent families” (42 U.S.C. s601(a)). In other words, welfare reform is partly about welfare, and partly about social control of the poor. This social control aspect has clearly found favour with the WWG, although it has been hidden behind smokescreens such as concerns about employability and children’s wellbeing.

One aspect of this has been the adoption of ‘family cap’ policies in the US, and recommended by the WWG. Here, the WWG plays to public perceptions of sole parents as almost exclusively young mothers who have multiple children out of wedlock, recommending additional work tests and sanctions for mothers who have children while on a benefit (Welfare Working Group, 2011, pp. 76-78). This is despite the fact there is no evidence that mothers on welfare have more children than others (Acs, 1996), and, in the US, family cap policies aimed at discouraging young women from having more children while on welfare have had inconclusive outcomes (Joyce, Kaestner, Korenman, & Henshaw, 2004; Levin-Epstein, 2003).

While lone mothers come under scrutiny, the WWG is mostly silent about fathers. This double standard is most evident in the WWG’s recommendation that sole parents be offered free long-term contraception. It is unclear how this would work for the 12% of sole parent beneficiaries who are male, or why, in a modern society, Victorian-era views relating to the conception and raising of children are deemed appropriate by a Government-appointed working group.

The key issue here is that a select group with no public mandate is using the welfare system to change behaviour that in many cases goes to the core of people’s sense of self and identity. History, including recent welfare reform history, is littered with examples of the polity unsuccessfully attempting to regulate private behaviour (for example centuries of legal discrimination against homosexuals). There is no evidence that the use of sanctions to control the behaviour of welfare recipients has worked elsewhere, however they place children at enormous risk. Issues around matters such as health and education must be placed under the guidance of appropriately trained professionals within the relevant area, not dealt with through the welfare system. Similarly, rates of teen pregnancy are strongly

positively correlated with income inequality. As discussed below, the WWG also recommends mandatory drug testing of welfare recipients.

*The WWG attempts to deal with broad social issues inappropriately through welfare sanctions. These issues need to be explored and dealt with on the basis of evidence. Children's wellbeing must not be put at risk through the desire to control the behaviour of beneficiaries through sanctions.*

## **5. All children are vulnerable to abuse and neglect**

All children are vulnerable to neglect and abuse, not just the children of beneficiaries. Targeting 'at-risk' families through crude profiling such as 'young', 'Maori', 'on a benefit' reinforces negative stereotypes while ignoring the fact that children in other families may be at equal risk of abuse or neglect.

*All families should be offered coordinated holistic social services if they need them. Sanctions for beneficiary families that do not take up services is an ineffective means of dealing with at-risk families. Stigmatisation is a form of abuse, too.*

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The final report contains 43 recommendations, and runs to 190 pages. It is not feasible to provide a detailed analysis of the whole report here. What follows is a review of Chapter 7 which purports to deal with children's wellbeing. Some of the assumptions underlying the recommendations are examined, then some of the other recommendations relevant to children are reviewed. A brief conclusion provides an overview of the paper.

## **Review of WWG’s Chapter 7 ‘Promoting the wellbeing of children’**

<b><i>Recommendation</i></b>	<b><i>Issue</i></b>	<b><i>CPAG concern</i></b>
<p><b>26:</b> <a href="#">Identify the likely impact of welfare reform on the well-being of children</a></p>	<ul style="list-style-type: none"> <li>Using information to mitigate risk to children and promote successful policies.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of detail as to what would be measured, or how.</li> <li>Time lag between implementation of policies and publication of results (or possible non-publication in the event that results are unfavourable).</li> <li>Changes difficult to reverse if outcomes for children do not improve.</li> <li>Impact can often be unanticipated.</li> </ul>
<p><b>27:</b> <a href="#">Parenting obligations</a></p>	<ul style="list-style-type: none"> <li>Mandatory code of parenting behaviour for parents receiving benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Reinforces stereotype that beneficiaries are deficient parents and that <i>only</i> beneficiaries are deficient parents.</li> <li>No explanation as to why income management is an appropriate response to alleged poor parenting.</li> </ul>
<p><b>28:</b> <a href="#">Support for at-risk families</a></p>	<ul style="list-style-type: none"> <li>Risk assessment of families with interventions.</li> </ul>	<ul style="list-style-type: none"> <li>Assessing at-risk families carries the risk of stereotyping while others slip through the net.</li> <li>Assumes the main risk to children is parent/s being on a benefit.</li> <li>Assumes those ‘at risk’ can be easily identified.</li> </ul>
<p><b>29:</b> <a href="#">Mandatory reporting of child abuse</a></p>	<ul style="list-style-type: none"> <li>Support for possible legislation to toughen up on perpetrators of child abuse.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence provided that mandatory reporting of child abuse would reduce harm to children.</li> <li>Well outside terms of reference; links being on a benefit to child abuse, without any supporting evidence.</li> </ul>
<p><b>30:</b> <a href="#">Income management and budgeting support</a></p>	<ul style="list-style-type: none"> <li>Assumes beneficiary families fail to cope because they are unable to budget.</li> </ul>	<ul style="list-style-type: none"> <li>Ignores evidence that financial problems are often the result of low income.</li> <li>Shifts from talking about low-income families to beneficiaries without comment: assumes (again without any evidence) that only beneficiaries need budgeting advice or have difficulties prioritising spending.</li> <li>No assessment of whether beneficiary income is sufficient to cover child’s essential needs</li> </ul>

## Underlying assumptions

### *Beneficiaries as different and 'dependent'*

Much of the WWG's recommendations are predicated on the underlying assumption that sole parent beneficiaries have standards and norms of behaviour that are significantly different from the rest of society, yet no evidence for this is forthcoming. Instead, the WWG argues that the unemployed, sole parents and the disabled need to overcome 'dependency' – a sort of signpost for aberrant behaviour – through attachment to the labour force. Hence there is a great deal of emphasis on erecting barriers to people obtaining and remaining on welfare. Overseas experience shows that the higher the barriers to entry the more likely people will simply walk away (Card & Blank, 2000; Loprest & Ledlewski, 2006), and there is a real possibility that families end up with no support except that available through the informal (or criminal) labour market, which undermines social cohesion and children's wellbeing. Moreover, 'walking away' puts children at risk of even greater poverty.

### *Children as passive participants*

Despite its title, Chapter 7 says little about children, and instead concentrates on the behaviour of adults. As with the rest of the report, Chapter 7 assumes that being on welfare has little to do with structural and social factors and everything to do with individuals. For their part, adults are seen on one hand as being passive dependents, and on the other as rational, reflexive agents who will respond to incentives and sanctions however arbitrary. These "contradictory expectations" (Redmond, 2010) create policy tensions while often failing to account for the complexity of the lives of sole parents.

Children, conversely, and contrary to a growing body of research (Ridge, 2002, , 2007; Taylor & Nelms, 2006), are assumed to be passive participants in the adult world around them. This rests largely on the concept of the 'priceless' child (see Zelizer, 1985). Here, the child is dependent and has no economic or social role, and their time should be spent in education. 'Investment' in children is assumed to pay off (in the case of the WWG, by reducing the risk of 'long-term dependency') with state intervention being the norm. Children are seen as needing care and protection, and in the situation where they are truant the WWG sees this not as the child's choice of behaviour but the parent's.

Yet children are not mere observers of the world. They are central to the welfare reform political project, and their interests should accordingly be placed at the centre of policy changes. Children in low-income households are very aware of their parents' financial situation and respond by "saving pocket money and birthday money, taking advantage of informal and ad hoc opportunities to earn some money...and not complaining to parents about lack of money" (Ridge etc, cited in Redmond, 2010, p. 477). Ridge (2002) has found children also try to supplement the family income with part-time work, even if this interferes with their schoolwork, while the children of working parents become very concerned with the 'work project' to the extent they will go to school sick rather than disrupt a parent's work routine (Ridge, 2007). In other words, children actively assume a social and economic role in the household. For parents, the greater the requirement to take up paid employment "that

may not be compatible with their caring responsibilities, the more they are likely to compromise the state's expectations of them as parents, and to constrain their children to compromise their 'pricelessness'" (Redmond, 2010). The active role and decision-making capabilities of children are ignored by the WWG, which sees them as passive receptacles of adult behaviour and values.

### *International Conventions*

While the WWG acknowledges the UN Convention on the Rights of the Child (UNCROC), it quotes it highly selectively, ignoring the many responsibilities of the State. WWG contends that the way to fulfill New Zealand's obligations therein is to "put strong emphasis on parents being able to support themselves and their children through paid employment"(Welfare Working Group, 2011, p. 120). Article 18 of the Convention only refers to parents and guardians receiving "appropriate assistance" to perform their child-rearing responsibilities, so the WWG's interpretation is somewhat at odds with the intent of the Convention. Any discriminatory policies and practices created by WWG's recommendations on paid work are ignored. The use of the Convention on the Rights of the Child to justify punitive and possibly discriminatory policies towards beneficiaries is particularly odious when UNCROC specifies at length states parties' responsibilities including:

- Article 2: that they shall respect the convention without discrimination of any kind;
- Articles 3 (1) In all actions concerning children, ....the best interests of the child shall be a primary consideration. (2) States Parties undertake to ensure the child such protection and care as is necessary for his or her well-being,...and, to this end, shall take all appropriate legislative and administrative measures;
- Article 24 (1) "States Parties recognize the right of the child to the enjoyment of the highest attainable standard of health and to facilities for the treatment of illness and rehabilitation of health. States Parties shall strive to ensure that no child is deprived of his or her right of access to such health care services."
- Article 26 (1) States Parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law
- Article 27 (1) States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.
- Article 27(3) States Parties, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing."

It is most surprising that the Treaty of Waitangi was not mentioned by the WWG, as Māori children in disproportionate numbers are living in poverty, have parents on a benefit, and have adverse outcomes (Craig, Jackson, Han, & NZCYES Steering Committee, 2007; Henare, Puckey, Nicholson, Dale, & Vaithianathan, 2011), some of which are worsening

(Craig & et al, 2011). The extraordinary efforts required to rectify these disparities among children are not appropriately highlighted in the report despite being identified by the WWG.

In its submission to the Senate Community Affairs Committee's Inquiry into Welfare Reform and Reinstatement of Racial Discrimination Act Bill 2009 and other Bills, The Australian Human Rights Commission stated that legislation needed to be set not only against UNCROC, but:

- The International Covenant on Civil and Political Rights (ICCPR);
- The International Covenant on Economic, Social and Cultural Rights (ICESCR);
- The International Convention on the Elimination of all forms of Racial Discrimination (ICERD);
- The Declaration on the Rights of Indigenous Peoples (the Declaration);
- The Convention on the Elimination of all forms of Discrimination Against Women (CEDAW); and
- The Convention on the Rights of Persons with Disabilities (CRPD) (Australian Human Rights Commission, 2010).

It is disappointing that the WWG chose only one selected quote from UNCROC to support its proposals, while omitting to refer to the remainder of this important convention.

*CPAG supports the Australian Human Rights Commission's view, and suggests any legislative changes arising from the WWG's recommendations need to be checked against the full list of human rights conventions to which New Zealand is a signatory.*

## **RELATED WWG RECOMMENDATIONS**

### **Recommendation 26: Monitoring the outcome of policy changes**

Chapter 7's first recommendation is to monitor the impact of policy changes on children. This focus on outcomes is welcome, and CPAG endorses this in principle. However such monitoring is intensive, and must be adequately resourced so that the data is of value, is timely and will influence policy.

There are a number of concerns with this recommendation. Official monitoring, even if done by independent agencies using international accepted practices as currently carried out by the Ministry of Social Development, necessarily entails a significant time lag. This can be reduced through the constant monitoring of children (although this in itself presents problems), with prompt analysis and publication of data. This is, however, very resource intensive and would require a consistent commitment from policymakers to having the outcomes of policies available for public scrutiny. If this commitment is not forthcoming the more likely outcome is that by the time the data is available (through, say, the Household Economic Survey or Ministry of Social Development's Living Standards Survey) another cohort of very young children may have been damaged.

There is also the issue of whether the monitoring will be used to improve policies. If there is no improvement in child poverty, or if it gets worse, there is nothing that requires the intensive and consistent commitment required from policymakers to revisit or reverse the policy. In fact, the far-reaching structural changes envisaged by the WWG will be very difficult to reverse even in the event that outcomes for children do not improve or even deteriorate. Experience from the US also suggests that if the outcomes are unfavourable, evidence is simply buried or ignored (Corbett, 1995).

The recommendation that outcomes for children be monitored contains no detail on what should be monitored, which is surprising in a chapter on the well-being of children. Rather, the WWG's silence on this suggests there is a universally agreed, scientifically neutral set of outcomes that can be measured and interpreted. This is far from the case. The very question of what gets measured is likely to be controversial, as are questions of who does the measuring, and how, and to whom it is reported. Given New Zealand's high rates of child poverty, the alleviation of poverty must rank as the key indicator of success or otherwise of any reforms.

*CPAG response: Before these potentially damaging reforms are implemented, there needs to be a commitment to monitor and act on child poverty, and to monitor and release data as promptly as possible, with an equal commitment to amending policies that are proving unfavourable for children. These measures must move beyond income, and include health, housing education and transience measures, as well as access to services.*

## **Recommendation 27: Parenting obligations**

Chapter 7 is largely focused on the behaviour of parents. There is no doubt parents receiving benefits have obligations towards their children. However the WWG produces no evidence that beneficiaries take those obligations any less seriously than other, non-beneficiary, parents, apart from citing statistics showing the outcomes for the children of beneficiaries are, on the whole, worse than outcomes for other children. Indeed, the available evidence about the lives and aspirations of beneficiaries suggests that they take their obligations to their children very seriously; what is missing are the resources to pursue those aspirations (Dean & Taylor-Gooby, 1992). The figures used by the WWG are not evidence that beneficiary parents do not care for their children. They are equally likely to be evidence of inadequate income, poor housing, and economic and social isolation, or some combination of these; the WWG has confused causes and statistical relationships.

The chapter moves seamlessly from discussing help parents "may" need to recommending compulsory requirements for ECCE, medical checks (the report recommends free checks for children 0-5 years, which CPAG supports for all children), and school attendance. What is concerning is the perpetuation and reinforcing of the stereotype that all beneficiaries, and only beneficiaries, are incapable of caring for their children. Imposing this level of state interference on other, non-beneficiaries, is almost inconceivable, yet many of the risk factors for children the WWG identifies are as likely to arise from parents in low-paid employment working long hours including through the afternoon, evening or night, when their children need them, as from not working at all. Evidence from similar programmes in the US

suggests that linking benefit payments to mandatory school attendance does not improve outcomes for children; rather the relevant factors for school attendance are the child's age, educational level of the mother, and reported violence in the home. In other words, if the aim is to improve the wellbeing of children, children's family circumstances must be addressed first (Horwitz & Kerker, 2001).

Children's attendance at ECCE is not an issue the welfare system is designed to address. Many factors impact on parents' decision whether or not to send their children to ECCE. Clearly, cost is a major barrier, with funding having been cut to ECCE services and little sign that it will be increased in the foreseeable future. Perhaps more important for many low-income parents is availability and accessibility of local, quality ECCE services. New Zealand's market-based model of early childhood care has resulted in a significant shortfall of early childhood centres in low-income suburbs, where sole parent beneficiaries are more likely to live (Ritchie & Johnson, 2011). This also explains much of the difference in ECCE attendance observed between European and Māori and Pasifika children. However, the WWG has chosen to interpret low attendance as simply a case of beneficiaries needing the threat of sanctions to get their children to attend ECCE. If the WWG's model of private contractors being paid to get sole parents off a benefit is implemented, there are very real concerns around parents being put in the position of having to accept sub-standard or out-of-the-way early childhood care for their children, or face the threat of punishment in the event that they do not or unable to do so. Moreover, before this recommendation is adopted, sociospatial disparities in ECCE availability must be addressed, and safeguards put into place to ensure ECCE quality.

For parents who do not comply with the "obligations" outlined, the sanction suggested is income management. There is no rationale presented as to why income management is considered an appropriate response to issues which may have many and complex influences, including domestic violence. Nor is any reason given for ignoring these issues in the event they occur in non-beneficiary families; no one would suggest income management for working families whose children do not attend ECCE. Income management is also suggested as a sanction for beneficiaries to ensure they send their children to school.

*CPAG response: This recommendation, under the heading of children's wellbeing, does not address any welfare issues. Rather it is using parents' income to assert a form of social control based on the contentious notion that the children of beneficiaries will themselves become long-term beneficiaries. No evidence is provided that the school attendance of the children of sole parent beneficiaries is so different to their peers that it warrants this intense and expensive management of beneficiaries' incomes.*

## **Recommendation 28: Support for at-risk families**

In setting out this recommendation, the WWG slips from 'at-risk parents' to teen parents to all sole parents on a benefit. This seamless elision allows all sole parents to be deemed 'at risk'. While the report quite sensibly recommends a high priority being placed on supporting the most at-risk families, including access to parenting programmes and early childhood care and education, there are two problems with the recommendations as set out. The first

is that the process of identifying at-risk beneficiaries using crude profiles (young, Māori) risks reinforcing stereotypes while missing families who do not fit the profile; the other is that if the barriers to obtaining welfare assistance work as the WWG clearly hopes, then some of those most at-risk will never be identified because they will not make it into the system. Having a job, however insecure, dangerous, occurring at the very times when their children need them or badly paid, or simply walking away, means these 'at-risk' families are unlikely to come to the attention of social services until it is too late.

The emphasis on those families supposedly at 'long-term risk of welfare dependency' means that resources will be less focused on at-risk families *not* in the welfare system. It also assumes there is an easy, foolproof test for such families, which there is not. There is no established method of accurately applying models of risk assessment to individuals and particular families (MacDonald, 2006), and any assessment needs to also take into account each family's context, potentially an expensive and possibly fruitless exercise. In the best interests of children, a high priority must be placed on supporting *all* families, whether or not they are in the benefit system.

By focusing on teenager-hood as a risk factor, the WWG overlooks other risk factors that may be present. To support its claim that early childhood interventions for the children of teen parents "have been shown to be the most cost effective means of reducing long-term welfare dependence," the WWG cites research from the Joseph Rowntree Foundation (Welfare Working Group, 2011, p. 122). However, this research is the result of a national survey of 14,000 students focusing on problem behaviour, and risk and protective factors among young people.<sup>5</sup> The survey questioned the students about their involvement in crime, drug and alcohol misuse and other anti-social activities. It did *not* ask about welfare, or their pre-school years. Welfare 'dependence' is not cited as a risk, although low income and poor housing are. Protective factors include strong bonds with family, friends and teachers; healthy standards set by parents, teachers and community leaders; opportunities for involvement in families, schools and the community; social and learning skills to enable *participation* [emphasis added]; and recognition and praise for positive behaviour. While these factors may overlap with a household's source of income, 'welfare dependency' cannot reasonably be considered a proxy for any one or combination of them. A child or young person's social context is at least as important for their future prospects as whether or not their parents are on welfare.

Also lacking in the WWG report is any discussion of the processes whereby the children of sole parents beneficiaries themselves become dependent on welfare. Yet without such a discussion, there is no way to design appropriate preventative interventions. Moreover, there is no way of knowing if risk is associated with being on a benefit, or the household (for example educational level of the parent), or the community, the child's school, or the circumstances of the wider family/whanau. It seems highly unlikely that a parenting course for teen parents can overcome the vast array of risk factors apart from a parent's age that

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<sup>5</sup> Available <http://www.jrf.org.uk/publications/national-survey-problem-behaviour-and-associated-risk-and-protective-factors-among-youn>.

may be present, or the myriad of social and other processes that lead to children and young people being at risk of 'long-term dependency' (France & Utting, 2005), although it would be one component of assistance.

The WWG is clearly concerned with how beneficiaries spend their money, particularly on 'inappropriate' items such as alcohol and tobacco. Although the recommendation for third party management of money states this would only be used as a "last resort", proposed changes to welfare for under-18s, including issuing plastic cards instead of cash, indicate this is more likely to be applied to the benefit population or sub-populations as a whole (New Zealand Government, 2011). This would mostly benefit private contractors clipping the ticket in the process of managing beneficiaries' money. Notwithstanding this intense oversight by state proxies, the proposal is unlikely to prevent beneficiaries gaining access to alcohol and tobacco as they would simply obtain them through other means, including the development of secondary markets for cards. Some evidence on the outcome of income management policies in Australia is set out below. It is worth noting that the WWG membership included individuals who run companies that already contract welfare and employment assistance services to the Ministry of Social Development. Clearly, private contractors have a powerful financial incentive to take over the administration of welfare services from the state, including money management for welfare recipients.

The WWG endorses benefit receipt being conditional on beneficiary parents using community services that have been underfunded for some years. Plunket, ECCE, special education, alcohol and drug addiction, and mental health services, training and education for young and unskilled people, have all had funding whittled away. All will need major funding boosts if the WWG's recommendations are to be constructive. While there is some evidence from successful programmes elsewhere (Minnesota Department of Human Services, 2005) that investment in training and support can lift people out of poverty and keep them in steady employment, on the whole welfare-to-work programmes do not materially improve people's economic situation, may worsen educational outcomes for adolescents (Minnesota Department of Human Services, 2005), and the majority of recipients lose their jobs within a year (see discussion Dale, Wynd, St John, & O'Brien, 2010, pp. 38-41; Danziger, Corcoran, Danziger, & Heflin, 2000; Waste, 1995).

*CPAG response: Properly funded, and sensitively managed, these recommendations could be helpful for children. Otherwise they will only transfer money from the public to the private sector with no discernible improvement in children's wellbeing. Worse, the sanctions the WWG proposes for parents who do not comply risk hurting children.*

## **Recommendation 29: Mandatory reporting of child abuse**

The report recommends the mandatory reporting of child abuse. It is unclear what *welfare* issue this recommendation is supposed to address. Rather, it appears to be well outside the WWG's terms of reference, and is unrelated to issues of poverty or finding and keeping paid work. As with other recommendations, it does reinforce the link – however spurious – between being on a benefit and one's child being at risk of abuse. The lack of detail in this recommendation makes it almost irrelevant. However, given its intuitively simple appeal, it is

worth outlining some possible problems, particularly in light of the Crimes Amendment Act (No 3) passed into law on the 15<sup>th</sup> September 2011.

Children can suffer multiple forms of abuse, including physical, emotional and sexual abuse, and neglect. All are damaging to children, with evidence suggesting that neglect – where a child may not suffer any physical injuries – is the most common form of child maltreatment in New Zealand, and is at least as damaging as physical abuse (Mardani, 2010, pp. ii, viii). The lack of visible physical injuries raises a number of questions, such as what gets reported, and when? At present Child Youth and Family prioritise cases on the basis of the likelihood of physical harm to the child. If ‘abuse’ includes neglect, as it should, how are budget-constrained state agencies to act on reports?

Child abuse can be difficult to detect, even for experts, but mandatory reporting by lay people assumes that child abuse is self-evident and easily detected. To date there has been little discussion of the detection threshold that would need to be met even for a prosecution, let alone conviction, and the WWG offers no such discussion; indeed their discussion of the complex issues surrounding mandatory reporting is brief and simplistic. If there is no obvious reason to suspect a caregiver or any other person of abusing a child, it is possible for non-accidental injuries to be overlooked as part of normal childhood play. Other problems are: mandatory reporting risks diverting resources from prevention and care programmes that may ultimately be more productive, with evidence suggesting that systems emphasising maltreatment, without concomitant attention to welfare needs, lead to less service provision for maltreated children than systems where child maltreatment is part of a broad child and family welfare response” (Ainsworth, 2002; Gilbert et al., 2009); people may not report cases if they do not wish to be caught in the inevitable legal processes that reporting would involve; and legal and administrative uncertainty are unlikely to ensure that the most vulnerable children would be made any safer. Furthermore, parents may be discouraged from seeking assistance if they fear that such requests are likely to lead to monitoring and surveillance.

Experience from overseas where mandatory reporting, especially for medical professionals, is already the law suggests that despite mandatory reporting, many professionals choose not to report suspected child abuse for reasons that include fear of misdiagnosis and experiences of child protection and legal processes (Bunting, Lazenbatt, & Wallace, 2010; Mathews & Bross, 2008). Mandatory reporting does have its supporters, although this is reporting by “thoroughly trained” specified mandated reporters. Yet even its supporters admit that despite mandatory reporting, many child abuse cases evade detection by authorities (Mathews & Bross, 2008, pp. 3-4).

A key issue with mandatory reporting is the basis on which a person can be held liable for failure to act. Traditionally English law has been reluctant to impose criminal or civil liability for acts of omission. This historically has only been reversed in specific and confined instances, for example where the defendant has created the risk, or in some way adopted responsibility for it.

This does not mean children do not have additional legal protection under New Zealand law. Duties pertaining to the protection of children were contained in Section 195 of the Crimes

Act and Section 10A Summary Offences Act. Section 195 of the Crimes Act covered a range of ill-treatment, including scalding due to insufficient supervision and waiting an unreasonable time before seeking medical attention; hosing children down with cold water during winter; shaking an infant causing brain damage; and leaving children alone unsupervised for several days (see Law Commission, 2009, p. 51).

However, after a spate of well-publicised child abuse cases in 2008, the Minister of Justice asked the Law Commission to develop an appropriate response to crimes against children. This was done as part of the Commission's review of part 8 of the Crimes Act. It appears that at no stage of the consultation and final proposals did anyone ask if the measures proposed would reduce harm to children, or if widening the net of possible perpetrators and increasing sentences would change the behaviour of the adults most likely to harm children. Nevertheless, the response has been the passage of the Crimes Amendment Bill (No. 3). This creates liability for third parties in cases of abuse or neglect of vulnerable adults or children, including members of the same household where "a person is to be regarded as a member of a particular household, *even if he or she does not live in that household*" if that person can reasonably be regarded as being a member of that household (Section 195A (4)). While there is no doubt that this change to the Act is well intended, in practice it is unlikely to result in a reduction in New Zealand's appalling child abuse statistics.

A cross-state comparison from Australia suggests there is no difference in child hospitalisation rates for non-accidental injury or child deaths between states with mandatory reporting and others; moreover it appears mandatory reporting uses considerable resources in the process of substantiating the report (Ainsworth, 2002, pp. 59-61).

*CPAG response: Does mandatory reporting reduce rates of child abuse and neglect in jurisdictions where it operates? The available evidence suggests that it does not. We note the WWG does not specify whether this is an aim of the recommendation.*

### **Recommendation 30: Income management and budgeting support**

The final recommendation pertains to income management and budgeting support for beneficiaries, especially sole parents. The report begins by noting that parents who have had budgeting advice generally find it helpful, and have been motivated by the desire to improve their children's lives. This information is taken from a Families Commission report cited by the WWG as being entitled *Experiences of New Zealand families accessing budgeting services*. In fact the Report is about *debt*, not budgeting (although the two clearly have some common ground), and while the WWG cites part of a 'key insight', it omits the important point that: "Budgeting services...are facing increased demand from middle- to high-income families who have developed problem debt " (Families Commission, 2009, p. 9). In other words, it is not simply beneficiaries who have difficulty budgeting. Yet from the observation that parents find budgeting can be helpful, the WWG concludes that all teen parents need budgeting services (although it is uncertain if this is in fact all teen parents or only those in receipt of a benefit), and families on benefits be "required to participate where there is a clearly demonstrated need for this support" and all other avenues for assistance have been exhausted (Welfare Working Group, 2011, pp. 124 - 125). Research evidence

and reports from budgeting agencies and organisations working with families facing financial difficulties report that the major issue facing families is not budgeting but income inadequacy (Houghton, Nelson, & Niblock, 1998; Wilson, Houghton, & Piper, 1995; Wilson, Lorgelly, & Houghton, 1997).

While income management is popular among welfare reformers, it remains unclear what *welfare* issue it is designed to address. Instead, the WWG – along with Australian responses to disadvantaged Aboriginal communities – assumes a clear link between family dysfunction and ‘passive’ welfare (Altman & Johns, 2008). While the WWG has slotted this recommendation into the chapter on children’s wellbeing, it cites no evidence that it will improve outcomes for children. This is perhaps because:

there is no evidence that such measures [as income management] generate positive benefits (an extensive research has been carried out in the United States in particular on this topic), especially given the high cost of establishing income management regimes and monitoring the spending of beneficiaries (Altman, 2010, p. 1).

The WWG also makes no mention of the fact that beneficiaries often have difficulty budgeting not because they are unable to budget, or because they make inappropriate purchasing choices, but because benefit levels are set well below what is required to maintain an adequate standard of living, including a nutritious diet (Greater Wellington Regional Public Health, 2010; Wynd, 2011). Rather, by ignoring the many factors that contribute to families’ purchasing decisions, this recommendation becomes a “policy solution to problems that are highly diverse and only partially defined” (Altman, 2010, p. 5).

Income management – or quarantining as it is also known – has been used in Australia, starting in 2007 under the Howard government’s Northern Territory Emergency Response and continued under the later Labour administration. As with the WWG beliefs, a key rationale for quarantining was the protection of children. The use of income management in Australia as a strategy to protect children and encourage school attendance has been described as “unique” (Cortis, Cowling, & Meagher, 2008) and has not been without controversy, especially given its blanket application to indigenous communities in the Northern Territory. It has raised significant human rights issues (Altman, 2010; Australian Human Rights Commission, 2010), and the strategy has “produced mixed results or the outcomes were unclear” (Australian Institute of Health and Welfare & Dept of Families Housing Community Services and Indigenous Affairs, 2009).

Research on the impact of income management on store sales in the Northern Territory failed to find any evidence that income management had changed purchasing behaviour in communities. After initial falls in sales of items including tobacco and soft drinks, it appears people simply recalibrated their budgets to obtain those items income management was specifically designed to put out of reach (Brimblecombe et al., 2010).

The research also found “many people in remote communities experience widespread food insecurity. This situation has encouraged the purchase of low-cost energy-dense and nutrient-poor foods” which are a key contributor to the disproportionate burden of chronic disease experienced by indigenous Australians (Brimblecombe et al., 2010, p. 549). The reliance on cheap energy-dense food is also seen in New Zealand’s low-income

communities (see Wynd, 2011). Income management in no way addresses this problem, and the researchers note that “without an actual increase in income as occurred with the government stimulus payment, income management may not affect people’s spending overall” (Brimblecombe et al., 2010, p. 552), nor will it reduce the health inequalities arising from poor nutrition. The researchers also observed that *consistent with those reported by the Government* [emphasis added], “our findings indicate that that income management has no effect on the sale of tobacco products”, and that after the first six months of income management both soft drink and confectionary sales continued at a higher rate than before, and that income management may not be associated with healthier food and drink purchases.

However, the Australian Institute of Health and Welfare (2009) found some support for income management, but cautioned that “evidence from the evaluation was not strong”.

- There were mixed views about income management with around two-thirds of interviewed clients having a positive view and one-third having a negative view. However, community stakeholders suggested there was resentment as many people felt income management was imposed on them without consultation and was discriminatory and unfair.
- People were becoming more positive about income management as they were starting to see some practical benefits such as improvements in child wellbeing, with many children eating more, weighing more and becoming healthier.
- There were reported improvements in community wellbeing such as less gambling, less drinking/alcohol abuse and less harassment for money, but some of these changes may also have been related to other Northern Territory Emergency Response (NTER) measures.
- Income management resulted in some changes to people's expenditure patterns, with more money spent on food and other priority items. Money management skills were also reported to have improved in some families. However, only a small proportion of income-managed people appeared to be accessing money management services provided to complement income management.

Other research suggests that income management is of limited effectiveness as families can only increase spending on ‘goods’ by what they were previously spending on ‘inappropriate’ items (and this may be very little), or they can divert other income, or quit the programme altogether. In general “a switch from \$1 in cash benefits to \$1 in food benefits will likely increase food consumption but by much less than \$1” (Ribar, 2007). And as early as 2007, there were reports of people swapping vouchers for cash (Altman & Johns, 2008, p. 7).

It is not only the lack of empirical data that weakens the WWG’s case for income management, it is the lack of any suggestion of possible cost. A key driver of the Government’s and WWG’s welfare reform agenda is concern about fiscal cost. However, income management is not cheap – it requires set-up costs including software installation in participating stores (which raises questions about what happens if stores in small towns cannot or will not participate), and intensive monitoring. The experience from Australia is

that it is very expensive – in the order of \$350 million over four years to cover 20,000 people (Altman, 2010). This may be more if the Government has to pay for stores to be able to participate (if it does not, income management essentially provides a subsidy to participating stores), especially in rural areas. In addition, there are costs for contractors, advertising and promotion (which runs to millions), consultation and community liaison, market research, bonus payments for recipients, evaluation costs, and software and IT costs (see Hansard, 2011). This is a considerable amount of money and effort for a policy with no discernible benefits for children or their families.

This recommendation from the WWG, although ostensibly focused on the interests of children, goes to the heart of many current debates in welfare and social policy. It assumes beneficiaries are incapable of behaving responsibly, and proposes the use of inappropriate sanctions to change the behaviour of a group of parents who have not been shown to be significantly different from other, non-beneficiary, parents. More broadly, it denies full citizenship rights to beneficiaries on the spurious basis that they need to be managed. However, the Government has shown itself to be ready to adopt the recommendations, as can be seen from its changes to benefit rules for under-18 year olds. In the event this recommendation is adopted, CPAG suggests (from the Australian Human Rights Commission) that:

- A voluntary/opt-in approach is preferred - rather than automatic quarantining or an exemption approach;
- Income management be a last-resort approach for targeted risk areas such as child protection (that is supported by case management and support services), akin to the Family Responsibilities Commission model in Queensland - rather than automatic quarantining; and
- There be a defined period of income management, where the timeframe for compulsory quarantining is proportionate to the context of the recipient's circumstances.
- That the *welfare* issue this is designed to address be clearly articulated and that a comprehensive and statistically rigorous monitoring system be implemented to ensure it is achieving its stated aim.

It is likely to involve only a small number of families, suggesting that the costs and the intrusion involved are hardly warranted.

*CPAG response: What is the evidence that income management improves outcomes for children?*

### ***Other issues relevant to children***

Dealing as it does with reform of the existing welfare system, it is inevitable that most of the WWG's recommendations, aside from those supposedly focusing specifically on the wellbeing of children, will impact on children's wellbeing. At present there are about 230,000

children in households reliant on benefit income, and this number is unlikely to reduce until such times as the economy recommences a growth path with job creation.

### **30 hours per week work test for sole parents when their youngest child turns six**

The stated aim of the WWG's recommendations is to increase the labour force participation of sole parents (Welfare Working Group, 2011, pp. 65 - 67). Under recent changes to the Social Security Act sole parents are required to look for 15 hours per week work when their youngest child turns 6. The mandated 15 hour threshold does not have any relationship to the 20 hours per week sole parents must work in order to be eligible for the In-Work Tax Credit and the Minimum Family Tax Credit available under the Working for Families package. Potentially adding to this confusion, the WWG has recommended that sole parent beneficiaries be required to seek paid work of *at least* 30 hours per week work when their youngest child turns 6 (Welfare Working Group, 2011, Recommendation 5), subject to the availability of early childhood and out-of-school care. While the Group recommends financial assistance to bridge the gap between being on a benefit and being in work in some cases (Welfare Working Group, 2011, p. 89), work-related costs are largely ignored even though these can be considerable.

The 30 hours per week work recommendation is a further layer to New Zealand's already fractured and complex tax and work incentive system. An analysis of the proposal shows that the economic gain for sole parent families under the existing regime produces no financial benefit from increasing hours worked from 20 to 30 hours on an hourly wage of less than \$17. Yet the median wage for all women is \$19 per hour, and about \$17 for Māori and Pasifika women; that is, half earn less than these amounts. If the WWG's recommendation to reduce the abatement-free amount to \$20 is adopted, along with the suggestion of a 55c abatement rate for earnings above \$20, someone working 19 hours for the minimum wage would have a net reduction in income of about \$60 per week (A full discussion of this can be found in Fletcher, 2011).

The WWG was excluded from considering Working for Families in its terms of reference. Unfortunately, this appears to have resulted in a recommendation aimed more at an ideological preference for paid work than a realistic assessment of the financial incentives sole parents face when they consider returning to the labour force.

Part of the rationale for the recommendation of 30 hours per week work for sole parents whose youngest child is aged 6 or more is that this meets some 'community expectation'. No evidence of what this community expectation might be is presented, but the WWG nonetheless suggests "that work expectations for carers of children, where those carers are in receipt of welfare payments, be regularly reviewed and updated to broadly reflect wider community parental employment patterns" (Welfare Working Group, 2011, p. 68). Yet there is limited evidence that sole parents' paid work patterns are significantly different to that of partnered parents/mothers. The graph (figure 3.1) on p.66 of the report shows little difference between the paid work of sole and partnered mothers, except for mothers of children under the age of 2 years. Although the graph's footnote notes that full-time work is

defined as 30 hours or more per week, it is unclear if the graph itself shows the proportion of mothers working full-time or not (this is not specified in the title or the accompanying text). The Household Labour Force Survey, from which the data is drawn, defines 'employed' as one hour of work per week, so it is not certain that the graph shows the proportion of mothers working 'full-time' as the Group implies, or mothers working as little as one hour per week.

Nevertheless in New Zealand, when the youngest child is 0-2 years of age 50 % of partnered parents are not in paid work. When the youngest child is 3-5 years of age 33% of partnered parents are not in paid work. Yet the WWG aims to have all sole parents with a child over three in paid work. Given that the resources of two parents are considerably greater than those of a sole parent, it would be unreasonable to expect that sole parents would be in paid employment to the same extent. Thus, the WWG Report appears to aim to have more sole parents in paid work than partnered parents.

The Statistics New Zealand time use survey (Statistics New Zealand, 2010) shows that for female participants in the survey, partnered women with young children (defined as under 15 years) spent 6 hours 8 minutes a day in labour force activity, and 2 hours 49 minutes caring for children. For sole mothers, the figures were 6 hours 37 minutes in labour force activity, and 2 hours 31 minutes caring for children. This suggests that the WWG's concern that the work habits of sole parents differ from community norms is not warranted.

*CPAG response: Before this recommendation is adopted, the labour force activity of sole parents be set alongside that of partnered women for a clear comparison, and that the incentives and sanctions from the existing Social Security Act, Working for Families and the WWG's recommendations be aligned and coordinated into an intelligible, coherent package.*

## **Sanctions on parents who do not meet their paid work obligations**

The WWG recommends (Recommendation 9 b i-ii) that welfare recipients who do not meet the obligations set out (whatever they may be) be subject to sanctions including:

- graduated reductions in their welfare assistance of:
  - 25 per cent of their payment for a first failure;
  - 50 per cent of their payment for a second failure;
  - 100 per cent of their payment for their third failure; and
- a 13-week stand-down for a fourth or any subsequent failure; a minimum stand-down period of two weeks for each failure, before payment be restored after re-compliance activity has been undertaken; and
- obligations be effectively enforced, with transparent monitoring and reporting of the number and duration of stand-downs and reductions imposed;

Sanctions against sole parents who do not comply with going into paid work will harm children directly due to reduction in resources. The reasons a sole parent does not job seek are likely to be complex, so effective supportive case workers are needed to encourage,

support, and facilitate opportunities for them, rather than sanction them. Sanctions for not seeking or taking up paid work are not appropriate when there are insufficient jobs available, which is the case in New Zealand now and for the foreseeable future.

The reality for children of sole parents is harsher than this report describes, for many reasons including:

- Jobs for sole parents are not often available to suit the hours of children's education, including early childhood education, and holidays.
- Time spent travelling to and from work and childcare often requires small children to have their sleeping and eating habits permanently disrupted.
- Early childhood education centres are harder to find in localities where greater numbers of sole parents live.
- The severe stress and isolation that many sole parents and their children experience is not explored in the report.
- The reality of looking after a sick child or children while being required to job seek or do paid work is not acknowledged in the report.
- The reality of living in substandard and/or overcrowded housing, being stressed, having insufficient money to cover all essentials including nutritious food, which lead to illness in the child and the parent, is unacknowledged.

*CPAG response: The level of benefit for sole parents is already too low for most families, causing many of them to live in severe or significant hardship. Reduction or removal of welfare assistance for sole parents as described in the WWG Report's Recommendation 9b (i) and (ii) will damage already disadvantaged children. The statement 9b (iii) "there be requirements to ensure the interests of children are safeguarded" lacks any detail to ensure that all the needs of children of such parents will be met – financial needs, emotional needs, and so on. It is hard to conceive how such 'safeguarding' would be achieved by the State.*

## **Reduction of abatement-free earnings to \$20**

Echoing the old adage that *'the rich need to be paid more to work while the poor need to be paid less'*, the WWG recommends reducing the present abatement-free earnings threshold for beneficiaries of \$80 to \$20, with a suggested abatement rate of 55c in the dollar. This will, according to the WWG, better align incentives with the objective of improving the motivation to commence paid work (Burton, 2011; Welfare Working Group, 2011, pp. 107-109); in other words, "send strong signals" that when people move into paid work, the expectation is that they will leave the welfare system (Burton, 2011; Welfare Working Group, 2011, pp. 107-109). However, as Fletcher observes, it will mean beneficiaries working less than 20 hours per week will face an effective marginal tax rate of 72.5c in the dollar on earnings over \$20 per week. The considerable number of beneficiaries, including sole parents, who work less than 20 hours per week will be the losers from this proposal (assuming no change in behaviour) (Fletcher, 2011).

Further, this ignores the fact that many beneficiaries are unable to work any more than part-time, especially sole parents and sickness beneficiaries, even though they are likely to be designated 'jobseekers' under the scheme outlined by the WWG. The low earnings threshold and harsh abatement rates recommended by the WWG mean that part-time work that is presently worthwhile for some sole parents will instead have negligible economic benefits. In cases where 20 hours of work per week is not possible, this risks leaving families reliant on benefit income alone, resulting in significant hardship for them.<sup>6</sup>

The emphasis on full-time work also ignores that part-time work can lead to full-time employment in time. Employers may be reluctant to take a beneficiary on full-time, but are more likely to accommodate part-time work in some cases. Demanding that beneficiaries move directly into full-time paid work may be counter-productive if it removes this step up into the work force.

*CPAG response: Rather than reducing abatement-free earnings to \$20, it should be increased to \$160 as this would provide a genuine economic incentive for sole parents to find and retain part-time work.*

## **Focus on tax system to support families with children**

The WWG's Terms of Reference explicitly ruled out an examination of the relationship between the benefit and tax systems. This is a significant weakness in the WWG reports as tax and welfare are interconnected. The WWG consequently sidesteps the very complex system of incentives and rewards faced by beneficiaries. Thus, the WWG fails to address this complexity, and instead argues that it is preferable that people who are earning receive supplements from the tax system because this "reinforces the expectation that the benefit system is a temporary means of support during periods of financial difficulty" (Welfare Working Group, 2011, p. 108). To reinforce this message that everyone should be working, the WWG goes on to say: "Tax credits and wage subsidies should be targeted to those who would most benefit from them. The key message should be that full-time work is the most preferred outcome for everyone and that part-time work is only appropriate for those with partial ability to work" (Welfare Working Group, 2011, p. 108).

Clearly, the WWG does not mean "everyone", only beneficiaries; similar expectations are not placed on all adults in a two adult household who are being supported by in-work tax credits. Somewhat alarmingly, the WWG suggests tax credits and wage subsidies ("generous interventions") be discretionary, based on "the recipient's risk of long-term dependency and the sustainability of paid work for the individual" (Welfare Working Group, 2011, p. 108). The WWG's suggestion of the use of discretion in the tax system contrasts strongly with its hardline stance that there be no or minimal discretion in the welfare system.

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<sup>6</sup> At present a Domestic Purposes Beneficiary can earn \$100 without losing any benefit income. Abatement is 30c in the \$ for income \$101-200, and 70c in the \$ for income over \$200. Slashing the abatement-free threshold from \$100 to \$20 and imposing the suggested abatement of 55c in the \$ would result in an additional \$44 effective tax for earnings of \$100.

The tax system is not equipped to make decisions about individuals' "risk of long-term dependency," and arguably this is not an appropriate role for it.

A key rationale for the WWG is to reduce the fiscal cost of welfare. Yet at present, even with the modest assistance provided to working families, the cost of increasing family incomes through tax credits, in particular the Minimum Family Tax Credit and the In-Work Tax Credit, may exceed the cost of to the state of someone receiving a part-benefit while working part-time (see St John, 2011b, p. 56). This cost will increase if the WWG's recommendations to increase assistance and subsidies to other types of benefit recipient are adopted. This recommendation will not result in a reduction in fiscal cost, rather it will simply shift the cost from one Government sector to another. In the process, the shift will result in greater economic uncertainty for low-income families, especially if income is assessed week-by-week as the WWG recommends.

*CPAG response: It is unacceptable that any reform of the existing welfare system results in assessments of people's likelihood of 'long-term dependency' being made by Inland Revenue staff, when it should rightly be made by trained Work and Income staff, and it is equally unacceptable that families' incomes become more precarious.*

## **Drug-testing as a requirement of benefit receipt**

Some people are drug addicts, some beneficiaries are drug addicts, and some of them are parents. Along with welfare reformers elsewhere, the WWG has chosen to portray beneficiaries who are drug addicts as a problem of some significance, not for reasons of a person's health and their family's wellbeing, but because recreational drug use may constrain people from finding employment (Welfare Working Group, 2011, p. 75). The group cites data from the Ministry of Health showing age standardised prevalence rates for using any drug for recreational purposes (excluding alcohol, tobacco and BZP party pills) in the last twelve months, with the rate for beneficiaries being 32% and the rate for non-beneficiaries being 18%. The Ministry cautions against reading too much into this, stating:

The 2007/08 Alcohol and Drug Use Survey was a sample survey at one point in time, and can be used to examine associations between drug use and sociodemographic characteristics. However, associations do not necessarily imply causality...In addition, the findings shown in this document do not indicate the frequency of drug use or any indication *of the impact of that drug use* [emphasis added]...it is possible that some of the difference in drug use between beneficiaries and non-beneficiaries is explained by beneficiaries being more likely to live in socioeconomically deprived neighbourhoods. This is also the case for factors that correlate with higher drug use (Ministry of Health, 2010, p. 3).

Moreover, the WWG's muddling of alcohol use with the figures for illicit drug use obfuscates the fact that alcohol – a widely consumed, legal drug – presents a far greater threat to children than illicit drug use.

Other research has found that use of amphetamine-type stimulants by beneficiaries is lower than the population at large (Wilkins et al., 2004, p. 84), while the New Zealand Drug Foundation notes that "US research shows only about 3.3 percent of those on benefits meet

the criteria for being diagnosed with a serious drug use disorder, and it seems unlikely the numbers would be significantly different in New Zealand” (Kelly, 2011). In one of the few pieces of research on this, research by the state of Florida in the US found that only 5% of TANF<sup>7</sup> applicants tested positive for drugs (a lower rate than the general population), and that there was little difference between the employment rates and earning capacities of those who screened positive for substance abuse and those who did not (Crew & Davis, 2003). The researchers also found that the children of TANF applicants were not at any heightened risk of danger arising from drug abuse, and recommended that Florida not go ahead with its mandatory drug testing programme given the high costs and minimal benefits (Crew & Davis, 2003; see also, "LeBron v Wilkins", 2011 for a full discussion of Florida's drug testing programme for TANF beneficiaries). A later survey found that only 2% of TANF applicants tested positive for drugs ("LeBron v Wilkins", 2011, pp. 11-12).

Given that there is little evidence that illicit drug use by beneficiaries, and sole parents in particular, has a significant impact on earnings capacity or presents a threat to children, it is difficult to see what welfare issue this recommendation is designed to address.

*CPAG supports the recommendation to improve access to free rehabilitation services for those with serious alcohol and drug dependency problems, however the use of sanctions to change addicts' behaviour is misguided, unlikely to work, and places children at very serious risk. Drug addiction and alcoholism are not welfare problems. They are medical problems and should be dealt with by professionals through the medical system.*

## **Establishment of a dedicated Crown Entity and pre-funding**

A key recommendation of the WWG is the establishment of separate crown entity, which in turn will use private contractors to run the welfare system on a pre-paid basis and move people off welfare rolls. Such an entity would be an abdication by the state of its fundamental role in protecting citizens in times of economic uncertainty. Incentives to remove people off welfare, as recommended by the WWG, will result in the removal of people from the rolls for spurious reasons, including refusal to accept dangerous and unsuitable work, refusal to accept inadequate and poor quality childcare, or refusal to accept work due to childcare or other caring responsibilities. The fate of these families is of no concern to a profit-maximising private contractor, but should be great concern to the general public who will have to pick up the costs associated with homelessness, poor educational outcomes, and the increased risk of injury and death linked to poor nutrition and dirty and dangerous living conditions. In the long run, private contractors will cream off scarce resources that should be used to safeguard children. The benefits put forward by the WWG will be illusory, especially for children in vulnerable families.

Most importantly, the establishment of a Crown entity removes any direct political accountability for the wellbeing of people reliant on the benefit system. While the present

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<sup>7</sup> TANF is Temporary Assistance for Needy Families, roughly equivalent to New Zealand's Domestic Purposes Benefit.

system is open to criticism, Work and Income remains accountable through the Minister, and it falls under the provisions of the Official Information Act. As nominally independent bodies, Crown entities can be removed from direct accountability through the provisions of the establishing legislation and can be exempt from usual accountability safeguards such as being required to comply with the OIA. New Zealanders should be very nervous about leaving the wellbeing of the most vulnerable members of society, including children, to the administration of an entity that will probably be expected to make a financial return to the Government. Such a return could only be made by reducing already low levels of support for children, the unemployed and the disabled. This is a big step in the wrong direction, and will be very difficult to reverse if implemented.

Prefunding of welfare is offered as a rationale for the establishment of an ACC-style crown entity. While at present there is a great deal of official concern about the future liability for welfare, there are equal if not greater risks in building up a pool of funds to pay for a specific policy. The most obvious is that politicians do not like to be bound by the decisions of previous parliaments, and as the history of New Zealand Superannuation shows, ringfenced funds can easily be used for purposes more in keeping with the priorities of the governing administration than those which set up the fund. In addition, as priorities change, contributions to funds can be stopped, as has happened with the New Zealand Super Fund. In other words, pre-funding is no guarantee the funds will be used for the purposes for which they were ringfenced, and neither the funding process nor the funds themselves are free from political interference.

Nor is it possible to pre-fund in an increasingly uncertain world. There is no basis upon which natural disasters or economic downturns can be pre-funded in an actuarially rigorous manner. In such events, the Government will still end up being the funder of last resort; any alternative is unacceptable if it means families are left with no income in order to satisfy the ideological preference for private sector funding and insurance models.

Of all the changes recommended, it is the setting up of a separate Crown entity, and the pre-funding of welfare, to deal with a problem for which so little evidence has been adduced, that are likely to have the most far-reaching and profound effects on the wellbeing of children whose families find themselves unable to work for any reason.

*CPAG response: This recommendation harks back to the 19<sup>th</sup> century – it does not look forward to the future (except in the most narrow fiscal sense) to a time when the need for social protection is likely to increase as families struggle with rising food and energy prices, and a volatile global economy. The interests of New Zealand’s children will not be protected by a privately contracted, actuarially-funded welfare scheme.*

## **Conclusion**

In the simple universe of the WWG, there are jobs for all who want them: it merely requires incentivising people to want them more. Raising children is simply a matter of getting them to early childhood centres or school, providing some out-of school care, and making sure they get their vaccinations. And for parents, the best thing they can do for themselves and their children is to be in paid work, preferably full-time, all the time. Unpaid work is an

abstraction (the term does not appear in the final report), while parenting is lumped under “other activities” (Welfare Working Group, 2011, p. 52). Accordingly, in this universe, sanctions for parents who don’t take up paid work will be a more effective approach than encouragement and support for struggling parents.

It is difficult to conceive that the recommendations as set out will result in improved outcomes for children in households reliant a benefit. The paid-work-above-all ethic that dominates the report and the current Government’s rhetoric sidelines children’s wellbeing, notwithstanding the supposed aim of improving some ill-defined outcomes. Those outcomes that are defined are all to do with minimising the state’s responsibility to provide security for families with children, and others who may find themselves at the mercy of the welfare system often through no fault of their own. While there is no doubt that some families on a benefit need extra assistance, this has been used to justify extending intrusive and paternalistic policies to all beneficiary families, while similar needs of working families have been ignored.

It is a great shame that the WWG does not see the elimination of child poverty as a goal of reform of the welfare system, especially in light of the now significant body of evidence showing that paid work on its own does not necessarily lift children out of poverty (Dale, Wynd, St John, & O’Brien, 2010). However, given the disproportionate burden children have had to bear of New Zealand’s economic upheavals of the last 30 years any changes to the system must have eliminating child poverty as their first and foremost goal.

So how great are the benefits from this intrusive, expensive list of recommendations? According to WWG Chair Paula Rebstock: “We know that if we could lift the employment rate for jobless parents in New Zealand, especially sole parents, to be in line with the best-performing OECD countries, the child poverty rate would improve by 25%.”<sup>8</sup> (see also Welfare Working Group, 2011, p. 176) This means that the other 75% of New Zealand’s approximately 220,000 children living in poverty would be unaffected, or significantly worse off if the WWG’s recommendations to move sole parents onto a Jobseeker allowance (Welfare Working Group, 2011) (which would effectively be a benefit cut) and slash the abatement-free zone to \$20 per week are adopted. The key issue is that being a sole parent is not equivalent to being a single unemployed person. Reducing the DPB to the same rate as that of a single unemployed person assumes away the costs associated with caring for a child, and fails to acknowledge that childcare is work. This is an unacceptable outcome for these children and their families.

The heart of the WWG’s recommendations signal a shift from collective responsibility for the wellbeing of children to a market model of minimal support where private operators are incentivised to reduce payments to recipients, and encourage them to take jobs that may be dangerous, low-paid and occurring at the very times of the day or night when parents need to be with their children. It marks childcare as a commodity in a world where unpaid work has no value, and jobs materialise simply because people look for work.

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<sup>8</sup> See <http://www.listener.co.nz/commentary/not-working/>.

The 'relentless pursuit of work' is an unsuitable purpose for a welfare system. The factors that improve children's wellbeing have little to do with parental labour market status, and much more to do with family and community cohesion, housing stability and neighbourhood safety, and childrens' being able to take part in activities with their peers. It is poverty, not beneficiary parents, that has been shown to be detrimental to children's wellbeing, and it is the elimination of child poverty that needs to be the goal of any welfare reforms.

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