



# Benefit sanctions: Creating an invisible underclass of children?

Child Poverty Action Group Policy Monitoring Series  
Donna Wynd

CHiLD  
POVERTY  
ACTION  
GROUP



# About Child Poverty Action Group

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

If you would like to support CPAG's work, please visit our website: [www.cpag.org.nz](http://www.cpag.org.nz)

## Acknowledgements

Child Poverty Action Group would like to warmly acknowledge and thank Caritas Aotearoa New Zealand for their generous support of this important work.

I would like to thank my Child Poverty Action Group colleagues for their thoughtful comments and feedback. In particular I would like to express my gratitude to Associate Professor Mike O'Brien who patiently read and commented on the numerous drafts. Any remaining errors are my own.

**Disclaimer:** This publication is intended to provide accurate and adequate information on the matters contained herein and every effort has been made to ensure its accuracy. However, it has been written, edited and published and made available to all persons and entities strictly on the basis that its author, editors and publishers are fully excluded from any liability or responsibility by all or any of them in any way to any person or entity for anything done or omitted to be done by any person or entity in reliance, whether totally or partially, on the contents of this publication for any purpose whatsoever.

### **Benefit sanctions: creating an invisible underclass of children?**

ISBN: 978-0-9922586-3-4

© October 2013

Child Poverty Action Group Inc.

PO Box 5611

Wellesley St

Auckland 1141, New Zealand.

[www.cpag.org.nz](http://www.cpag.org.nz)

---

# Contents

1. Introduction.....	2
2. The emergence of the sanctions regime.....	4
3. Sanctions: application and rationale.....	6
3.1 The sanctions regime.....	6
3.2 Sanctions: stated rationale and aims .....	7
4. Application of sanctions including errors.....	10
Table 1: Earnings and part-time work obligations.....	11
Table 2: Summary of sanctions data released to date.....	12
Table 3: Sanctions by grade for people with children, year ending October 2011.....	13
Table 4: Number of work test sanctions applied to clients with children from October 2010 to March 2013.....	14
Table 5: Duration of sanctions imposed at the end of March 2013 .....	14
5. Discussion and conclusion .....	15
5.1 Sanctions: the need for transparency.....	15
5.2 The unrelenting focus on work: putting children second .....	15
6. References .....	17

# 1. Introduction

“We are seeing a dangerous drift toward social and economic exclusion...I’m talking about places where rungs on the ladder of opportunity have been broken...I know we can do better. We have to do better. Because, left unchecked, the problems of a growing underclass affect us all.”<sup>1</sup>

Since coming into office in 2008, the National government has made clear it sees the solution to child poverty as parents being in paid employment. Following the recommendations of the Welfare Working Group (WWG) (Welfare Working Group, 2011), the government has made significant changes to New Zealand’s social security system. The two key features of the welfare changes have been the continuation of the ‘work first’ approach initiated under the former Labour government, and the use of financial sanctions to enforce new social obligations, including job search and work preparation, and obligations on beneficiaries to enrol their children in early childhood education, and with a general practitioner or primary health care provider.

The rhetoric around the new “unrelenting focus on work” has sought to portray the reforms as improving outcomes for children and their families.<sup>2</sup> In reality the changes have seen the emergence of a system of conditional social assistance payments to parents that may be withdrawn for reasons that have little to do with income support. This conditionality of welfare assistance violates the child’s right to social security (in contravention of Article 26 of the UN Convention on the Rights of the Child, ratified by New Zealand in 1993) and undermines the four core principles of the Convention: non-discrimination; devotion to the best interests of the child; the right to life, survival and development; and respect for the views of the child. In reality, the changes risk creating and entrenching a separate and unequal class of manifestly disadvantaged children whose opportunities are further and unjustly circumscribed for reasons beyond their control.<sup>3</sup> Moreover, it ignores the fact that raising children is work itself; it overlooks the needs of disabled, sick or traumatised children; and it assumes the state knows better than parents what is best for their children.

Financial sanctions are the key tool to enforce this paternalistic approach to beneficiary parents. Sanctions involve the loss of some portion or all of a beneficiary’s main benefit income and in some cases supplementary assistance if strict conditions are not met. The WWG and the Minister of Social Development took the view that in order to give due weight to paid work, financial sanctions were required for all but a few welfare recipients. According to officials “financial sanctions have proven to be both efficient and effective for work obligations...”<sup>4</sup> The wellbeing of children was not a priority, rather sanctions “are about changing behaviour...”<sup>5</sup> For parents, the sanction is limited to 50% loss of the main benefit however supplementary assistance is not affected. (An outline of the sanctions regime is on p. 5.) This is a significant reduction in household income and, as the figures below show, this has already affected hundreds of children.

---

1 <http://www.johnkey.co.nz/archives/28-National-to-tackle-NZs-growing-underclass.html>

2 See the explanatory note to the Social Security Youth Support and Work Focus Amendment Bill and Social Security Benefit Categories and Work Focus Amendment Bill.

3 This paper has avoided the use of the term ‘underclass’ as it is a term with no theoretical or empirical basis. Our concern is with a specific subset of children, being the children of beneficiaries.

4 From Official information Act material. Held by CPAG.

5 Social Security (Benefit Categories and Work Focus) Amendment Bill, p.8.

There is very little publicly available information on the sanctions that have been applied, to whom and over what period. Nor is any information published about why sanctions have been imposed, or how many are the result of administrative error (as is commonplace in other parts of the benefit system). Furthermore, there is no data to assess whether the policy is being applied consistently. Importantly, there is no information on how the applied sanctions are impacting on the wellbeing of the children affected by them, despite the recommendation of WWG for transparent public reporting. In this paper, Child Poverty Action Group has pulled together the little information available on sanctions, including information obtained under the Official Information Act, to try to assess who is affected by the sanctions regime, and especially the numbers of children involved.<sup>6</sup> Further qualitative research is required to establish how families perceive their treatment.

The paper proceeds as follows: a brief review of the legislative changes that gave rise to the new sanctions regime; the rationale behind financial sanctions; and the application of sanctions to parents since the regime was introduced in 2010. It finishes with a discussion and conclusion.

---

<sup>6</sup> Data used in this backgrounder is from material made available to CPAG through an Official Information Act request. Papers held by CPAG.

## 2. The emergence of the sanctions regime

Sanctions are not a new addition to the welfare legislation. They were part of Labour's reforms to the Domestic Purposes Benefit (DPB) in 2002,<sup>7</sup> although at a time when the economy was adding jobs they attracted little attention. Prior to that, unemployment beneficiaries who failed to take up suitable work could have their benefits stopped *since the first Social Security Act in 1938. The application of sanctions to spouses and partners of Sickness and Invalids beneficiaries who were subject to work tests was part of the 2007 amendment to the Social Security Act.*<sup>8</sup>

Following the 2008 election, Social Development Minister Paula Bennett set up the WWG. The WWG's key recommendations involved making it more difficult to get a benefit in the first instance, requiring beneficiaries to 'actively' look for work, using the welfare system to leverage improved outcomes in other sectors such as health and education, and introducing graduated sanctions for beneficiaries who failed to comply with the new obligations.

In essence, the WWG proposals emphasised participation in paid work as the fundamental goal rather than income support.

Since 2010 there have been a series of amendments to the Social Security Act 1964:

- **Social Security (New Work Tests, Incentives, and Obligations) Amendment Act 2010.** This introduced the Minister's "unrelenting focus on work",<sup>9</sup> with its stated aim of getting people back into work as soon as possible, reducing "dependency" on the benefit system and making it clear "people who receive support from the State are expected to meet certain obligations".<sup>10</sup>
- **Social Security Youth Support and Work Focus Amendment Act 2012.** This was largely focused on replacing cash payments for young people with plastic cards and requiring them to work with contracted providers. It purported to introduce a "stronger work focus to some benefit categories," including Sickness and Domestic Purposes beneficiaries, and the spouses and partners of people receiving a main benefit. There were two significant changes for parents and their dependent children. Firstly it required that a parent who becomes the caregiver of another dependent child whether by giving birth to that child or not and "whether in his or her own right, or as the spouse or partner of the person granted the benefit" be work-tested when the newborn turns one. Secondly it lowered the age of the youngest child at which a sole parent must be available for 15 hours per week work to 5 years.<sup>11</sup>
- **Social Security Benefit Categories and Work Focus Amendment Act 2013.** This imposed a raft of obligations on sole parents, mainly enrolment of the children at an early childhood education centre once they turned 3, school attendance for older children, and medical check-ups for children. It collapsed the existing 7 main benefits down to 3, the default benefit being Jobseeker Support, and extended the requirement to work with providers contracted to the Ministry of Social Development (MSD) (eg training providers) to beneficiaries other than young people. In addition,

---

7 See Social Security (Personal Development and Employment) Amendment Act 2002, available <http://www.legislation.govt.nz/act/public/2002/0028/latest/DLM147417.html>.

8 See <http://www.legislation.govt.nz/act/public/2007/0020/latest/DLM408545.html>, also <http://www.cpag.org.nz/assets/Submissions/SocialSecurity.pdf>.

9 Social Assistance (Future Focus) Bill, explanatory note.

10 Ibid.

11 Social Security (Youth Support and Work Focus) Amendment Bill, explanatory note.

the age of the youngest dependent child at which sole parent support is moved to Jobseeker Support (and is thus required to be available for full-time work) was lowered to 14 years.

The use of sanctions to enforce what policymakers assume to be universally shared “social norms” (New Zealand Government, 2012, p. 4) is a new development. The welfare reforms have made extensive use of punitive sanctions to coerce beneficiaries to behave in specified ways. These specified behaviours include being available for work preparation (even if it means attending “virtually the same [seminar] five times” (Collins, 2013)), and taking up ‘suitable employment’. Beneficiaries can now also have their benefits cut if they have outstanding warrants of arrest for criminal proceedings or fail a drug test by testing positive for a controlled substance. Recipients of the Young Parent Payment also had new obligations imposed under the 2012 Amendment Act, chiefly around the requirement to be in education or training and undertaking parenting programmes. Under the 2013 Amendment Act the children of beneficiaries must attend Early Childhood Education (ECE) from age 3 for 15 hours per week<sup>12</sup> (unless they have good reason not to do so); to attend school; and to be enrolled with a primary health care provider. While these three requirements may be good for children, the government has not shown that these measures are necessary, that they will be effective or why they should be applied only to beneficiaries and not to all families. CPAG has argued elsewhere (Child Poverty Action Group, 2010) that trying to leverage outcomes in areas such as health and education is an improper use of the welfare system, which should be concerned with income support. Non-compliance with the new obligations will result in benefit cuts, limited to a maximum of a loss of 50% of benefit payment when there are children.

The obligations extending to spouses and partners of beneficiaries have broadened significantly under recent legislative changes. Recipients of Supported Living Payment and their partners may also be required to comply with work test and other obligations if they are deemed to have the capacity to comply. The government has provided no justification for the extension of work and other obligations to the partners of beneficiaries. In practice it is likely these provisions will be unlikely to apply to many partners. Jobseeker Support recipients are income-tested, with the income test applying to a couple in the event that benefit applicants are partnered. One partner has only to be earning the equivalent of the minimum wage to rule out the other getting Jobseeker Support. A sole parent is unpartnered by definition so that only leaves unemployed couples and some partners of recipients of the Supported Living Payment<sup>13</sup> caught by social obligations.

We turn now to examining the little information there is on sanctions.

---

12 See <http://legislation.govt.nz/regulation/public/2013/0252/5.0/DLM5257901.html>.

13 The Supported Living Payment replaces the Invalids Benefit and is available on the ground of sickness, injury, disability or total blindness, and caring for a patient requiring care.

### 3. Sanctions: application and rationale

As part of its final report the WWG recommended sanctions be used to coerce beneficiaries, including sole parents to comply with the many social and other obligations they recommended be introduced (Welfare Working Group, 2011, p. 121). The WWG argued sanctions would motivate beneficiaries to meet their 'obligations' including expanded work expectations. However the WWG was at odds with itself over failure to comply with the proposed new obligations. On one hand it did not recommend benefit cuts for non-compliant parents suggesting instead that "failure to meet these expectations after efforts to address reasons for non-compliance would result in the recipient's income being managed" (Welfare Working Group, 2011, p. 121). On the other, it set out a detailed list of financial sanctions for beneficiaries in order to "better support a focus on paid work" (Welfare Working Group, 2011, Recommendation 9). The WWG acknowledged some of the beneficiaries caught by the new sanctions would be parents, a dilemma it largely dismissed by recommending "there be requirements to ensure the interests of children are safeguarded" (Welfare Working Group, 2011, pp. 22-23); it did not specify how those requirements would be met. None of the legislation, including the intrusive 2013 Amendment Act, has provisions to safeguard the interests of children; instead the Minister appears to be of the view that limiting financial sanctions to the loss of 50% of the benefit is itself an adequate safeguard (New Zealand Parliament, 2013). This is very surprising since 51% of all families with children supported by full income support benefits are already in severe or significant hardship (Perry, 2009), such that a 50% loss of this low income cannot possibly safeguard the wellbeing of affected children.

The WWG also recommended the "transparent public reporting of the number of sanctions imposed" (Welfare Working Group, 2011, p. 75). This has not transpired, with the information in this backgrounder having been obtained under the Official Information Act or in response to parliamentary questions.

#### 3.1 The sanctions regime

The sanctions regime includes:<sup>14</sup>

- a 50 percent reduction in their main benefit payment for a first failure of the work test (Grade 1 sanction). They continue to receive 100% of their supplementary assistance;
- a 100 percent suspension of main benefit for a second failure (Grade 2 sanction) and loss of supplementary assistance; and
- a 100 percent cancellation for a third (Grade 3 sanction) and loss of supplementary assistance.
- Sole parents and couples with dependent children<sup>15</sup> will face a maximum 50 percent reduction, suspension, or cancellation of their main benefit. They continue to receive supplementary assistance but may not access third-tier assistance such as emergency food grants.

A person who has their benefit cancelled (Grade 3 sanction) is stood down for 13 weeks even if they re-comply with their obligations.

Sanctions can be graduated sanctions or suspensions/cancellations. In the first instance, if a client does not meet a work preparation obligation without a good and sufficient reason, an obligations failure can be initiated which can result in a sanction being applied. This means that where Work and

---

<sup>14</sup> Social Security Act 1964, s117.

<sup>15</sup> A dependent child is one who is primarily the responsibility of that person and is financially dependent on that person.



Income (WINZ) has concluded that a beneficiary has failed to comply with an obligation without a good and sufficient reason, a letter is sent to the client advising them that they have failed to comply and details of that non-compliance. The letter advises that a financial sanction will be imposed after five working days, unless they can provide a good and sufficient reason for their failure. A client can start an activity to re-comply with their obligation or can request a review of the decision. A client has a five working day notice period before a financial sanction is imposed. If they re-comply within the five working day notice period their benefit is not affected. An obligation failure and potentially a sanction would occur when the client has failed to respond to requests for contact including letters and phone calls.<sup>16</sup>

The use of letters is problematic for clients who may have limited English, be of no fixed abode or move frequently. Evaluating the use of letters to communicate with clients back in 2002 MSD found:

“Letters did not appear to have been an effective means of communicating with all clients. The qualitative outcomes study found that for some Pacific respondents language problems meant that they largely ignored letters. Pacific participants were more likely to report that they were unaware of the nature of the requirements. Māori respondents also found the letters they received difficult to understand and apply to their particular circumstances” (Ministry of Social Development, 2002, p. 23).

### 3.2 Sanctions: stated rationale and aims

As noted above, the rationale behind the sanctions regime has been to “support a focus on paid work” (Welfare Working Group, 2011, p. 23). In 2012 CPAG made an Official Information Act request asking what advice the Minister of Social Development had received in respect of the decision to impose obligations on sole parent beneficiaries.<sup>17</sup> According to an *aide memoir* dated 24<sup>th</sup> May 2012, social obligations “reinforce and achieve important social objectives including better outcomes for vulnerable children and maintenance of law and order.” *There was no supporting evidence that these “important social objectives” would be achieved, nor any explanation of why “maintenance of law and order” is an appropriate purpose for the welfare system.*

The *aide memoir* noted social obligations are linked in with the government’s Key Result Areas including reducing long-term welfare dependency, increase participation in ECE, and a reduction in the crime rate. These are political targets and have little to do with income adequacy or security for families with children. Moreover, they fail to address underlying issues including poverty and the “weak labour market.”<sup>18</sup>

The proposed obligations are stated as supporting the National-Act confidence and supply agreement, specifically WWG recommendations 27 (parenting obligations), 28 (support for at-risk families), and 30 (income management and budgeting support). Emphasising the reforms’ focus on achieving social goals rather than income support, the *aide memoire* notes: “By its nature, the benefit system provides an opportunity to improve social outcomes because it supports, primarily, lower socio-economic groups.” This highly loaded sentence suggests it is appropriate to use the benefit system to pursue better outcomes for “lower socio-economic groups” even though it is not clear who, exactly, is a member of this group or groups.

---

16 Information contained in letter sent to CPAG as part of OIA request. Papers held with CPAG.

17 From documents obtained under the Official Information Act. Papers held by CPAG.

18 Ibid.

The hoped-for outcomes from the obligation on sole parents for their children to attend ECE appear to be founded on speculation: the *aide memoir* notes “The proportion of three and four year children of beneficiary parents not participating in ECE is *not known* but is *likely* to be lower than the general population.” [Emphasis added.] In other words, the Ministry is guessing. However, research by CPAG points to one reason why this might be the case, and that is the lack of ECE facilities in low-income areas where sole parent beneficiaries are likely to live (Ritchie & Johnson, 2011). To date little has been done to address this shortage (although the WWG was clear that increased work obligations on sole parents needed to be accompanied by affordable and easily accessible ECE facilities). The Ministry notes requiring beneficiaries to have their children in ECE will put strains on the sector and effectively lowers the compulsory education age for the children of beneficiaries. It also expresses concern that this will potentially crowd out children of parents in paid work, a consequence that would be exacerbated by the fact that many beneficiaries presently use informal or family care. In addition, Ministry of Education documents released to the Green Party show the government was warned that some beneficiaries would be unable to meet this obligation due to cost and lack of available facilities – a warning it chose to ignore (Jones, 2013b). Subsequent research by the Children’s Commissioner sought to provide “a rationale for greater focus on supporting homes, parents, caregivers, family and whānau, including evidence on why home environments matter and why focusing solely on ECE and schooling will not be enough” (Office of the Commissioner for Children, 2013, p. 4). It will no doubt be difficult for sole parents engaged in paid work to contribute to their children’s education on top of the other paid and domestic work they do.

The *aide memoire* discusses the success of parental obligations in the UK and Australia, pointing out that Australia’s maternity immunisation allowance and the UK’s Sure Start Maternity Grant use an incentive payment *as well as* sanctions for non-compliance. The *aide memoire* goes on to note that although research on programmes linking obligations to welfare payments is ‘limited’, the results are mixed. It cites one study but doesn’t state the result, and cites another which concluded that requiring a wide range of activities of welfare recipients had no impact on vaccination status or well-child care.

With respect to the obligation on sole parents to ensure their children attend school, the *aide memoire* notes that American research showed improved attendance and retention but little or no improvement in educational outcomes: “The study found the programme was effective because it related to a behaviour that parents could reasonably be expected to influence in the short-term (attendance rather than school attainment).” There is no explanation of why this might be the case, or what other barriers to school attainment might have been present. In fact this highlights that if parents’ lives are chaotic or disorganised, longer term obligations including keeping a job may be difficult until more immediate issues have been dealt with (see Dale, Wynd, St John, & O’Brien, 2010, p. 39). While the focus of the obligation to have children attend school is reduced truancy, there is no mention of transience, which is a significant factor in truancy (Crowley, 2003; Henry, 2009; McFarlane, 2011; Mutcha, Rarere, & Stratford, 2011).

The *aide memoire* cites a US study showing most welfare sanctions were for work test failures (61%) while only 15% were for obligation failures (such as children not attending school). This suggests that the behaviour of beneficiaries as a whole is not that different from the general population. Indeed, recent reports have highlighted “rich and poor families pulling their youngsters from school for travel” while the principal of a South Auckland school observes “older children sometimes missed school to help babysit or step in for parents who were working long hours” (Jones, 2013a). It is therefore difficult to see why beneficiary parents have been singled out for special treatment.

Finally, the *aide memoire* notes few countries attach conditions to the receipt of core benefits in the manner New Zealand has done, and that conditionality attached to core benefits “will always place child welfare outcomes at greater risk.”

## 4. Application of sanctions including errors

Contrary to the WWG's recommendations that the sanctions regime be public and transparent, the number of sanctions, to whom they have been applied and the reasons for their application (including possible administrative errors) are not published. As noted above, the little information published here has been supplied through Official Information Act requests or answers to parliamentary questions. It is thus difficult to gauge with any accuracy how many people have been sanctioned or why. This lack of transparency creates a regime whereby policymakers and administrators are not subject to public scrutiny, throwing into question the government's stated commitment to vulnerable children.

In view of these difficulties the data presented here provides only a small and disjointed picture of the sanctions imposed since the start of the welfare reforms were enacted in 2010. Even this limited information provides grounds for concern about how sole parents are being treated under the new rules. While the new sanctions may or may not be sending 'a strong message' to parents about the behaviour the state expects of them, the effect on children is far more ambiguous, placing them at risk.

The tables below show the sanctions data presently available:<sup>19</sup>

One year on from the reforms (2011) Social Development Minister Paula Bennett announced:

- 10,400 fewer New Zealanders were on welfare;
- 2,300 more people on a DPB were in part-time work;
- 13,000 people went off the DPB into work;
- 50% of beneficiaries did not require a single hardship grant.

It is not certain what is meant when the Minister says DPBs 'went into work.' It would be helpful to know, for example, if DPBs found permanent full-time work, and if they were financially better off as a result of this work, or if the jobs were low-paid and temporary or seasonal.

Asked how many DPBs found part-time work, MSD (p. 2)<sup>20</sup> responded:

*"Future Focus monitoring uses the number of clients declaring over \$80 a week of earnings as a measure of those undertaking part-time work. It is important to note that this provides only part of the picture of those working part-time, for particular points in time. The numbers do not provide a reflection of all changes over the period, such as capturing clients who have found work and cancelled their benefit. The numbers are affected by seasonal changes, changes in the economy (both regionally and nationally), and other factors. Due to the way that the Ministry's systems capture information on income, the figures do not identify those who worked part-time for part of the period but then ceased work, or those who have worked several part-time periods. Similarly, data on the number of people who have started to declare part-time earnings over the period cannot be reported."*

Curiously, although this says the data does not capture clients who have found work and cancelled a benefit, this information appears as part of the Ministry of Social Development's annual Statistical Report, and indeed the Minister was able to announce 13,000 people moved off a DPB into work.

<sup>19</sup> Papers requested under the Official Information Act and held with Child Poverty Action Group.

<sup>20</sup> Ibid.

This also suggests that those declaring less than \$80 per week are captured by a different dataset. Also curious is the claim by MSD that data on the number of people who have started to declare part-time earnings cannot be reported when the number of income-tested beneficiaries reporting earnings is declared as part of MSD's quarterly benefit data.

Given the legislation's focus on paid work, in December 2011 a remarkably small percentage (11%) of Sickness beneficiaries had part-time work obligations, and an even smaller proportion (7%) were actually working part-time. In March 2012 12% of Unemployment beneficiaries declared paid earnings, as did 9.1% of Sickness beneficiaries. Despite the pressure to take up work, the percent of Unemployment and Sickness beneficiaries declaring paid earnings was less than in 2007 (see Table 1).<sup>21</sup>

The available data presented is fragmented and some is difficult to reconcile. While we have attempted to overcome the difficulties in presentation some anomalies remain.

**Table 1: Earnings and part-time work obligations**

	<b>UB</b>	<b>SB</b>	<b>DPB</b>
Number of beneficiaries as at March 2012	53,479	58,458	113,005
% declaring earnings March 2012	12.0	9.1	16.9
% declaring earnings March 2007	16.1	11.2	20.9

Sanctions have been applied since coming into force in September 2010. Between September 2010 and January 2012, 2,977 DPBs were sanctioned for failure to meet a work test obligation (Table 2). There is no breakdown of the grade of sanction and no indication of how many DPBs had their benefits cut. Also unclear is how many failed to meet their obligations and how many were sanctioned as a result of administrative error.

Table 2 shows the number of sanctions applied to various benefit types. Unemployment beneficiaries have by far the greatest number of sanctions applied with 7,708 having benefits cancelled between May 2011 and January 2012. For this group there is a 13 week stand down even if they re-comply with their benefit obligations. In keeping with the lack of clarity in the data, it is not clear how many beneficiaries whose benefits were cancelled have moved "into work" and how many children are affected by this.

<sup>21</sup> A partial explanation of this might be the introduction of the Recognised Seasonal Employer scheme in 2007. See <http://dol.govt.nz/publications/research/rse-evaluation-final-report/final-12.asp>.

**Table 2: Summary of sanctions data released to date**

	<b>UB</b>	<b>SB</b>	<b>DPB</b>
September 2010 – January 2012			2,977 DPBs sanctioned for failure to meet work test obligations.
May 2011 – January 2012	19,471 UBs received Grade 1 sanctions for failure to meet work test obligations.  13,784 had benefits suspended (Grade 2 sanction).  A further 7,708 had benefits cancelled due to 'work failure' (Grade 3 sanction).	526 sanctioned for failure to meet work test obligations (work tests for Sickness Beneficiaries were introduced as part of the 2010 Amendment Act). It is unclear what grade sanctions this figure relates to.	
October 2010 – November 2012	Almost 9,000 parents (sole or couples) on UB sanctioned. <sup>22</sup>		6,567 DPB-related beneficiaries sanctioned. (The discrepancy with the figure above is discussed below).  In total 16,013 parents with children sanctioned. This includes all benefit types not just those listed here.
November 2012: age of youngest child when sanctions have been imposed	In November 2012, 445 beneficiaries had graduated sanctions. Of these, in 103 cases the youngest child was aged under 5; 212 had a youngest child aged 5-13; in 130 cases the youngest child was aged over 13. The sanctions are broken down into less than 4 weeks (382) and over 4 weeks (63). We do not have a breakdown by benefit type.		

Between October 2010 and November 2012, a period of slightly over two years, almost 9,000 parents (sole or couples) on an Unemployment benefit were sanctioned. This suggests many parents have been put onto the wrong benefit (sole parents should be on a DPB). Being on the incorrect benefit means sole parents are not receiving the income they are entitled to, are subject to a work test regime that is inappropriate for caregivers, and can have sanctions imposed that result in the loss of 100% of their benefits. The others being sanctioned are unemployed couples with children. The benefit payment for a couple with one or more children is \$341.60 per week, and sanctions means the loss of 50% of the benefit, or \$170.80 per week. When DPBs who were sanctioned are added in, a total of 16,063 parents with children were sanctioned during this period. There is no information on how many children this figure includes.

<sup>22</sup> If the 9,000 figure above is correct and includes sole parents.

The figures do not give a breakdown of what stage of sanctions are being applied so we do not know if people are losing part or all of their benefits, or if they are getting them suspended or cancelled altogether. Still, the headline numbers are disturbing, and it would be helpful to have a clearer idea of the benefit status of this group.

The figures above (Table 2) are alarming given the lack of oversight and transparency in the sanctions regime. From September 2010 to January 2012 2,977 people on DPBs were sanctioned for work test failures. Yet, between October 2010 and November 2012, 6,567 DPB-related beneficiaries were sanctioned. "DPB-related" includes DPB – Sole Parent as well as DPB – Women Alone, DPB – Care of Sick or Infirm, and Emergency Maintenance Allowances. This means that between January 2012 and November 2012, a period of just 10 months, 3,590 more beneficiaries were sanctioned than in the previous 2 years. The figures are puzzling: the 2012 *Statistical Report shows that as of June 2012 the number of DPB-related beneficiaries not receiving a DPB – Sole Parent was just 14,112 or 13% of the total DPB-related beneficiaries of 112,260. This means a quarter of non-sole parent DPBs had sanctions imposed (and this seems improbable) or efforts to impose sanctions on DPBs increased dramatically during this period. If this is the case it raises issues about the consistency of the administration of sanctions. The third possibility is that MSD's data collection and recording is inconsistent (although this is unlikely).*

The following figures apply to the calendar year ending October 2011 and appear to include all the main benefits. Figures for beneficiaries with children have been separated out where the information provided allows.

**Table 3: Sanctions by grade for people with children, year ending October 2011**

Work test failure initiated		Sanction process initiated		Grade 1 sanction		Grade 2 sanction		Grade 3 sanction	
	105,548		58,167	50% reduction in benefit	39,573	100% loss of benefit; suspension of benefit	11,605	100% loss of benefit, cancellation of benefit	6,365
						50% suspension for people with children	452	50% cancellation for people with children	172
<b>TOTAL</b>	<b>105,548</b>	<b>TOTAL</b>	<b>58,167</b>	<b>TOTAL</b>	<b>39,573</b>	<b>TOTAL</b>	<b>12,057</b>	<b>TOTAL</b>	<b>6,537</b>

624 people with children had financial sanctions imposed in the year ending October 2011. Although there is no clue as to how many children were affected, it is clearly in the hundreds. The data supplied on sanctions as at the end of November 2012 is further broken down by region.<sup>23</sup> Northland, Auckland and Waikato had the highest rates of sanctioned parents (that is, sanctions per income-tested beneficiary), followed by Wellington and East Coast. Taranaki, Central Districts and Nelson had the lowest rates of sanctioned parents, with parents in these areas about a third as likely to get sanctioned as those in Northland and the Waikato. This suggests there is some variation in enforcement of the sanctions regime across the regions although the small sample is insufficient to draw any firm conclusions. This provides yet another reason to publish sanctions data regularly, by region: if there are variations in the administration of the legislation, these need to be examined and explained.

<sup>23</sup> Calculations were made using December 2012 benefit figures as these are the publicly available figures closest to November 2012.

A 2013 CPAG OIA request showing the number of sanctioned clients with children into calendar years is at Table 4. The figures here are broadly consistent with those as at November 2012 in Table 2 above. Table 4 shows over 1,000 beneficiaries with children had benefits cut in 2011 and 918 had benefits cut in 2012. As above, the lack of detail hidden in these numbers is of concern. Unknown is how many children were affected by having the household income drastically reduced, how many of these sanctions were errors or how long people were on reduced benefits.

**Table 4: Number of work test sanctions applied to clients with children from October 2010 to March 2013**

Year	Sanction Grade					
	1		2		3	
	Sanction type		Sanction type		Sanction type	
	Graduated	Susp/Canc	Graduated	Susp/Canc	Graduated	Susp/Canc
2010 (Oct-Dec)	1,310	0	84	157	19	86
2011	5,074	0	486	734	196	326
2012	6,418	0	702	646	248	272

Table 5 shows the duration of sanctions imposed as at the end of March 2013. Note the figures vary from those above because they are only at a point in time rather than over a period such as a year, and they cover a different time period. The majority of clients (520) who are sanctioned have sanctions imposed for up to four weeks, while a much smaller number (78) are sanctioned from 4-8 weeks, and a very few (25) are sanctioned for over 8 weeks. While the numbers are relatively small, the question remains as to how families cope with severely restricted incomes, especially over long periods. It is difficult to imagine these parents having savings or assets to live off and there is no safety net in place for children whose parents are failing to comply with work test obligations. Indeed, the Minister of Social Development has been quoted as saying “well, I think living on the full DPB is hard. I don’t know how you can live on 50 per cent” (Trevett, 2013).

**Table 5: Duration of sanctions imposed at the end of March 2013**

Duration of sanction	Number of clients with children
Up to 4 weeks	520
4-8 weeks	78
Over 8 weeks	25
TOTAL	623



## 5. Discussion and conclusion

### 5.1 Sanctions: the need for transparency

Since coming into office in 2008, the National government has made clear it sees the solution to child poverty as parents getting paid employment, and has made its welfare priority an “unrelenting focus on work”. These changes have effectively shifted core benefits from entitlements for those unable to earn a living, to payments conditional on recipients meeting certain “social expectations”.

Backing up the new paternalism of the welfare reforms has been the extensive use of financial sanctions to change the behaviour of beneficiary parents (although there is no evidence that their behaviour differs significantly from other non-beneficiary parents). The changes have been marketed as ‘improving outcomes’ for children yet the intense pressure parents are under to take on paid work or face benefit cuts is doubtless placing enormous stress on both parents and children, especially at a time when employment growth has stagnated.

It is concerning that the sanctions regime as it currently operates is not clear and transparent, nor is there any accountability for administrative errors. The lack of scrutiny related to lack of regular data reporting and the need to get information from OIAs is especially troublesome as there is no independent review of sanctions imposed available to beneficiaries in the first instance. Rather, the first step is to appeal to the case manager who imposed the sanction. Anything beyond that is time consuming and leaves children exposed to inadequate or no income while a decision is made about whether or not to restore a parent’s benefit. The figures show the number of sanctions imposed is increasing although it is not clear if this is due to greater efforts on the part of WINZ or if, contrary to official expectations, sanctions are not changing the behaviour of welfare recipients. This lack of clarity is evident in most of the data reviewed here.

CPAG urges that given the lack of transparency and accountability of their use, in particular the effects on the wellbeing of affected children at each stage, the provisions pertaining to sanctions must be repealed. While waiting for that to happen, we recommend that the number of sanctions imposed be published regularly, including the numbers and age of the children affected and the number of cancelled benefits needs to be clearly separated from the number of people who have left a benefit to go into work. There should also be data kept on how many of those who have moved off a benefit are again receiving a benefit within 3,6 or 12 months so that there is greater clarity around the nature of work people are getting, and whether the system is simply creating additional hardship by ‘churning’ people in and out of the benefit system. Such churning, with its inevitable stand down periods and working expenses, can result in the gradual running down of assets and have a negative impact on children’s wellbeing. In the meantime, more research, including robust qualitative research, is required to help understand the impact of sanctions on families and whether additional social services are required to effect positive behavioural change in the long-term.

### 5.2 The unrelenting focus on work: putting children second

The sanctions regime puts children’s needs in second place behind the ideologically driven desire to move sole parents (and other beneficiaries and their partners) into paid work. The work-first income support regime now in place ignores the needs of children, and violates their rights under the UN Convention on the Rights of the Child: arguably the resulting insecurity is a form of economic violence that New Zealand – already a divided society – can ill afford. Reliance on paid work for

an adequate (although by no means secure) income effectively creates a class of economically vulnerable, invisible and unequal children whose wellbeing is intimately tied to the welfare/labour market status of their caregivers. This necessarily means some children will not have the same opportunities as their peers – indeed, it is a long way from the Minister’s goal that “every child thrives, belongs, achieves” (New Zealand Government, 2011).

With the latest changes the focus on work has been bolstered by the imposition of social obligations; the failure to comply with these can also result in benefit cuts. In effect, this augments the threat to children’s security of income and potentially further stresses already stretched households. While the Minister regularly announces how many beneficiaries have left a benefit to move ‘into work’, there is no evidence that this is the case, nor is there monitoring of whether people who have come off benefits are better off or what sort of paid work they have obtained. Nor are families who have been sanctioned monitored. According to MSD families who have had their benefits reduced are phoned to check how they are getting on, but this is a long way from the intensive wrap-around services originally conceived by the WWG and probably required by families increasingly economically isolated by the benefit system.

Children’s needs are predominantly centred around safety and security, nutritious food, somewhere warm and dry to live and, importantly, love and social contact (Gluckman & Hayne, 2011; Office of the Children’s Commissioner Expert Advisory Group on Solutions to Child Poverty, 2012; Public Health Advisory Committee, 2010). What the recent welfare reforms have instead delivered to children is economic insecurity with no corresponding promise of safety, sustenance of attachment to the parent, improved income or a better standard of living. The punitive requirement for some mothers to be available for part-time work when their youngest child turns one (with the cryptic reasoning that families will be “afforded earlier support and assistance to secure paid work...”<sup>24</sup>) jeopardises the child’s need for love and social contact and possibly risks loss of attachment.

The nature and scale of the changes to social assistance since 2010 require that more attention must be paid to outcomes for children and their families, not least because the figures here clearly show hundreds of children have already been affected by sanctions: doubtless many more will be in future as the sanctions contained in the 2013 Amendment Act come into effect. Caring for children is essential work, and must be recognised as such. Families coming off benefits into paid work need to be checked to ensure that they have paid jobs and that they are better off as a result of that work, otherwise paid work just becomes a time-consuming farce which is cost ineffective and harmful to the long term wellbeing of the children.

---

24 Explanatory note, Social Security (Youth Support and Work Focus) Amendment Bill, p. 7.

## 6. References

- Child Poverty Action Group. (2010). Submission: Long-Term Benefit Dependency Options Paper. Auckland: Child Poverty Action Group. Available
- Collins, S. (2013). Seminar Spiel a Case of Deja Vu for Attendee. *New Zealand Herald, Wednesday Jul 17, 2013*, from [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_\\_id=1&objectid=10899035](http://www.nzherald.co.nz/nz/news/article.cfm?c__id=1&objectid=10899035)
- Crowley, S. (2003). The Affordable Housing Crisis: Residential Mobility of Poor Families and School Mobility of Poor Children. *The Journal of Negro Education*, 72(No. 1, Student Mobility: How Some Children Get Left Behind. (Winter, 2003)), 22-38.
- Dale, M. C., Wynd, D., St John, S., & O'Brien, M. (2010). *What Work Counts? Work Incentives and Sole Parent Families*. Auckland: Child Poverty Action Group. Available <http://www.cpag.org.nz/assets/Publications/3-2%2024718%20CPAG%20Research%20Document.pdf>.
- Gluckman, P., & Hayne, H. (Eds.). (2011). *Improving the Transition: Reducing Social and Psychological Morbidity During Adolescence*. Wellington: Office of the Prime Minister's Science Advisory Committee, New Zealand Government. Available <http://www.pmcsa.org.nz/wp-content/uploads/Improving-the-Transition-report.pdf>.
- Henry, R. T. (2009). Relationships and Dropping Out: The Voice of At-Risk Youth. Las Vegas: University of Nevada, Las Vegas. Theses/Dissertations/Professional Papers/Capstones. Paper 37. Available [http://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1039&context=thesesdissertations&sei-redir=1&referer=http%3A%2F%2Fscholar.google.co.nz%2Fscholar%3Fas\\_ylo%3D2009%26q%3Dschoolchildren%2Btransience%2Btruancy%26hl%3Den%26as\\_sdt%3D0%2C5#search=%22schoolchildren%20transience%20truancy%22](http://digitalscholarship.unlv.edu/cgi/viewcontent.cgi?article=1039&context=thesesdissertations&sei-redir=1&referer=http%3A%2F%2Fscholar.google.co.nz%2Fscholar%3Fas_ylo%3D2009%26q%3Dschoolchildren%2Btransience%2Btruancy%26hl%3Den%26as_sdt%3D0%2C5#search=%22schoolchildren%20transience%20truancy%22).
- Jones, N. (2013a). 62,000 Kids Absent from Class. *New Zealand Herald, Friday Jul 26, 2013*, from [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_\\_id=1&objectid=10903374](http://www.nzherald.co.nz/nz/news/article.cfm?c__id=1&objectid=10903374)
- Jones, N. (2013b). Turei: Govt Ignored Warning. *New Zealand Herald, Thursday Aug 22, 2013*, from [http://www.nzherald.co.nz/politics/news/article.cfm?c\\_\\_id=280&objectid=11112255](http://www.nzherald.co.nz/politics/news/article.cfm?c__id=280&objectid=11112255)
- McFarlane, K. (2011). Transient Children in the Education System. Lexington, VA: Washington and Lee University. Available <http://www.wlu.edu/documents/shepherd/academics/McFarland%20draft%206.pdf>.
- Ministry of Social Development. (2002). Evaluating the February 1999 Domestic Purposes Benefit and Widows Benefit Reforms: Summary of key findings. Wellington: Ministry of Social Development and Department of Labour. Available <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/archive/2002-evaluatingdgbreforms.pdf>.
- Mutch, C. A., Rarere, V., & Stratford, R. (2011). 'When You Looked at Me, You Didn't Judge Me': Supporting Transient Students and their Families in New Zealand Primary Schools. *Pastoral Care in Education: An International Journal of Personal, Social and Emotional Development*, 29(4), 231-245.
- New Zealand Government. (2011). *The Green Paper for Vulnerable Children*. Wellington: New Zealand Government. Available <http://www.childrensactionplan.govt.nz/>.

- New Zealand Government. (2012). Welfare Reform Paper A: Overview – Cabinet Social Policy Committee. Wellington: Office of the Minister of Social Development. Available <http://www.msd.govt.nz/documents/about-msd-and-our-work/newsroom/media-releases/2013/wr-cab-paper-a-overview.pdf>.
- New Zealand Parliament. (2013). Order Paper and Questions: Questions for Oral Answer. Wellington: New Zealand House of Representatives. Available [http://www.parliament.nz/en-nz/pb/business/qa/50HansQ\\_20130731\\_00000007/7-welfare-system%E2%80%94reform](http://www.parliament.nz/en-nz/pb/business/qa/50HansQ_20130731_00000007/7-welfare-system%E2%80%94reform).
- Office of the Children’s Commissioner Expert Advisory Group on Solutions to Child Poverty. (2012). Solutions to Child Poverty in New Zealand: Evidence for Action. Wellington: Office of the Children’s Commissioner. Available [www.occ.org.nz](http://www.occ.org.nz).
- Office of the Commissioner for Children. (2013). Parents’, Families’ and Whanau Contributions to Educational Success. Wellington: Office of the Children’s Commissioner. Working Paper, July 2013. Available [http://www.occ.org.nz/\\_data/assets/pdf\\_file/0008/10511/130703\\_FINAL\\_WP\\_Parents\\_family\\_and\\_whanau\\_contributions.pdf](http://www.occ.org.nz/_data/assets/pdf_file/0008/10511/130703_FINAL_WP_Parents_family_and_whanau_contributions.pdf).
- Perry, B. (2009). Non-income Measures of Material Wellbeing and Hardship: First Results from the 2008 New Zealand Living Standards Survey, With International Comparisons. Wellington: Ministry of Social Development. Available <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/monitoring/living-standards/living-standards-2008.html>.
- Public Health Advisory Committee. (2010). The Best Start in Life: Achieving Effective Action on Child Health and Wellbeing. Wellington: Ministry of Health. Available <http://nhc.health.govt.nz/system/files/documents/publications/the-best-start-in-life-21may.pdf>.
- Ritchie, J., & Johnson, A. (2011). Early Childhood Care and Education. In S. St John & M. C. Dale (Eds.), *Left Further Behind: How Policies Fail the Poorest Children in New Zealand*. Auckland: Child Poverty Action Group. Available [www.cpag.org.nz](http://www.cpag.org.nz).
- Trevett, C. (2013). Hardline Minister Gets a Big Job Done. *New Zealand Herald*, Wednesday Apr 10, 2013, from [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10876512](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10876512)
- Welfare Working Group. (2011). Reducing Long-Term Benefit Dependency: Recommendations. Wellington: Welfare Working Group, Institute of Policy Studies, Victoria University. Available <http://ips.ac.nz/WelfareWorkingGroup>.







Child Poverty Action Group Policy Monitoring Series

**Benefit sanctions: creating an invisible underclass of children?**

ISBN: 978-0-9922586-3-4

© October 2013

Child Poverty Action Group Inc.

PO Box 5611

Wellesley St

Auckland 1141, New Zealand

[www.cpag.org.nz](http://www.cpag.org.nz)

---