

# The experts can all agree

## Purpose

This document shows the long standing NGO support for urgent changes to the welfare system as outlined in the Welfare Expert Advisory Group (WEAG) report.

## Background

As New Zealanders, we believe in justice and compassion.

Child Poverty Action Group (CPAG) acknowledges the intention of the current Government to improve the lives of hundreds of thousands of children and allow them to live their lives free from the constraints of poverty.

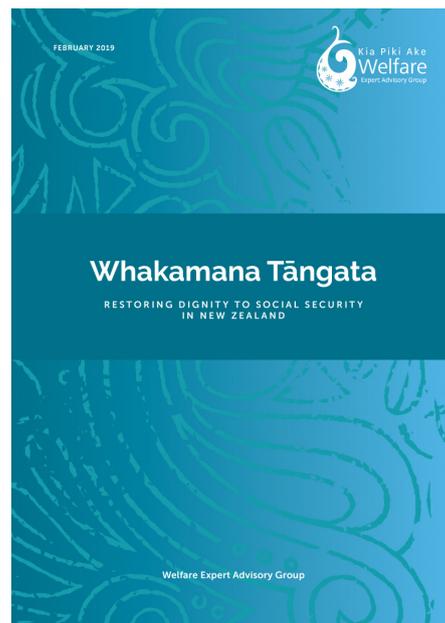
Despite our differences, we share a responsibility to make sure everyone in our country has a decent standard of living and the same chances in life. The Welfare Expert Advisory Group's report Whakamana Tāngata provides a roadmap for welfare reform that puts dignity and compassion at the heart of the welfare system. Showing compassion as a society means making sure no one has to endure the harms of poverty.

We welcome newly implemented actions such as the increase in abatement thresholds, wage indexation of benefits, the Families package including Best Start and the Winter Energy Payment. These are all promising policies, that will have future benefits.

However, for many children – approximately 174,000 (one out of every six children in Aotearoa) - facing the worst of poverty, these changes are not big enough to have any real impact in their lives. CPAG calls on the Government to urgently implement a number of the Welfare Expert Advisory Group recommendations to ensure that all children in New Zealand experience a thriving, happy childhood.

The following content highlights some of the Government's Welfare Expert Advisory Group's main recommendations and compares them to what a range of (organisations including CPAG, LifeWise, New Zealand Council of Christian Social Services (NZCCSS), and FinCap) have consistently called for. It shows there is a wide consensus for meaningful reform of the welfare system.

In the following pages, we have laid out what we collectively feel to be the immediate priorities for welfare reform, that will have the most impact on people's lives.



# Every child and adult in Aotearoa should have adequate income to meet all their basic needs

## WEAG Recommendations 5, 19, 20 and 26.

In 2019 WEAG recommended that the Ministry of Social Development (MSD) should establish a minimum income standard within two years, and for this to be reviewed every five years.<sup>1</sup> They recommended increasing overall income support as soon as possible to allow for basic expenses and meaningful participation in the community, and that this level of support be maintained through indexation.<sup>2</sup> WEAG recommended benefits be increased by between 12% and 47% (depending on the type of benefit with additional increases in the Working for Families 'Family Tax Credit' to make up for the smaller increase in Sole Parent Support).<sup>3</sup> WEAG's research confirmed a large deficit between people's incomes and what is needed to meaningfully participate in the community. While additional support can be applied for (such as Temporary Additional Supplements or hardship grants), the current high spending on such payments provides a sound rationale for urgently increasing core benefits.<sup>4</sup>

Establishing levels of income needed to maintain a healthy life is something that CPAG has also consistently called for. In 2018, CPAG recommended the Government establish the real income needs of each person (taking into account factors like family size and the cost of housing) so that benefits, minimum wages and tax credits are sufficient to provide adequate living standards for all people. CPAG also recommended the Government immediately increase all core benefits, by at least 20% (though some increases may need to be in excess of 40% to ensure the actual costs of living and families' needs are met).

In welcoming WEAG's recommendations, FinCap also noted they are "an eloquent statement of what people in financial hardship need if they are to live with dignity ... Many of the people that come to our services have expenses that exceed their incomes, not because they don't have the skills to budget, but because their incomes are simply inadequate to live a dignified life".<sup>5</sup>

CPAG has also recommended improvements to Working for Families for the purpose of reducing poverty and ensuring income adequacy. Fundamental is that all low-income families should receive all components of the Working for Families tax credit package that is designed to alleviate poverty among families with children. In particular they should receive the portion of Working for Families denied to couples and sole parents who receive a main benefit and who do not meet very strict criteria around the number of hours of paid work. This is \$72.50 per week that could immediately improve the lives of more than 170,000 children who are in urgent need. The WEAG recommendations include increasing WFF by approximately this amount for all eligible families, without associating the package with a work incentive.<sup>6</sup>

*"When I was married, I qualified for the In-Work Tax Credit because we could combine our hours of work. When we separated, I didn't qualify anymore, because my hours of work fluctuated and were often under the threshold. Yet I was doing (on average) the same amount of paid work that I was before. I wasn't eligible for the \$72.50 that would have made such a difference because, whoops, I went and lost my nuclear family trophy. As a working nuclear family our income was boosted to help keep us above the poverty line, but as a part-time single parent, it wasn't. How is that fair for the kids?"*

*- Renee, Sole Parent Support.*

1 Whakamana Tāngata, Recommendation 5.

2 Whakamana Tāngata, Recommendation 26.

3 Whakamana Tāngata, Recommendation 20.

4 For example, in the June 2019 quarter, hardship grants totaled 487539 (costing). This is more than double the number from five years earlier (June 2014 quarter: 196037). The need for hardship assistance is primarily for food. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/latest-quarterly-results/hardship-assistance.html>

5 FinCap, <https://www.fincap.org.nz/fincap-welcomes-the-recommendations-in-the-welfare-expert-advisory-group-report-whakamana-tangata/>

6 Whakamana Tāngata Recommendation 23. However it must be noted that in its recommendations, the WEAG did opt to include a separate, means-tested tax credit for earned income that is separate from Working for Families, and available to non-parents also. This payment has the potential to be quite costly.

*"I live in a caravan with a three-month-old baby. It is unrealistic to rent and have a good quality of life when relying on welfare payments."*

*- Anon, Student Allowance.*

*"[An extra \$72.50 per week would mean] not having to worry about using the heater at night, washing nappies in a hot wash, affording the food we need for our gluten and dairy intolerance, having the petrol money to get to counseling."*

*- Ursula, Sole Parent Support.*

*"[An extra \$72.50 per week would mean] fresh meat, veggies and fruit. Personal hygiene products. Wood for winter. Underwear and socks. School [costs]."*

*-Tracey, Supported Living Benefit.*

Transitioning to a job from a benefit should mean being better off, not being pushed back to where you started

## Recommendation 20

WEAG has recommended the earned income abatement threshold for a range of benefits should be increased.<sup>7</sup>

In 2018 CPAG said, in order to support the transition to work, the threshold for abating benefits should be set to 10 hours of work on the minimum wage. In 2019 this threshold should be \$177.00. The current level is \$80, after which the JobSeeker benefit payment reduces sharply by 70% for every additional dollar earned. CPAG also recognises that the threshold rules are different for the Supported Living Payment and Sole Parent Support benefits, and recommends that adjustments should be made along these lines commensurately.

Unbelievably, the \$80 threshold has not been altered since 1986. Lifewise has pointed out that \$80 in 1986 was worth approximately \$250 in today's dollars (or 15 hours of work).<sup>8</sup> They stated that lifting the abatement threshold not only helps the community but is a 'fiscally effective opportunity' that is a 'win-win situation for everyone'.<sup>9</sup>

Although CPAG welcomes the Government's Wellbeing Budget commitment to increase this threshold, the increase is small, late coming and does not go far enough: it will be implemented over a long period of time, and is far from being adequate (amounting to only approximately \$3 per week in the hand in the first year for those who earn over the current threshold).

*"It's often not worth it to work more, because of the abatement. Why work for a few dollars an hour? And that's not just about the cash. For me, I was trading parenting for other care work. As a support worker, I was paid by the government to support a disabled child, and at the same time, the government was paying someone else to look after my kids. It's absurd. Parenting is invisible in this system. You'd think we weren't raising future tax-payers."*

*- Renee, Sole Parent Support.*

<sup>7</sup> WEAG recommends as part of its broader welfare reform agenda that the earned income abatement threshold for Jobseeker Support should be increased to \$150 a week (retaining the 70% rate) Sole Parent Support and Supported Living Payment thresholds should be increased to \$150 a week with an abatement of 30% increasing to 70% after \$250 a week.

<sup>8</sup> Lifewise (2018). Stuck in the 80s submission to the Welfare Expert Advisory Group. <https://www.lifewise.org.nz/2018/10/09/stuck-in-the-80s/>

<sup>9</sup> Higher income means an increased tax take (in both GST and PAYE), and it is likely to reduce the cost of client management for WINZ as well as debt levels for WINZ clients because there are likely to be fewer requests for both hardship and food grants.

# Sanctions are harmful, not helpful. They should be abolished

## Recommendation 11

Sanctions are a tool MSD use to try and enforce particular obligations associated with being on a benefit, and for punishing those who don't meet them. They include reducing benefits, standing someone down, suspending payments, and cancelling benefits. Sanctions can be applied in a range of situations, including when someone fails to attend meetings, or does not name the father of their child on welfare applications. Another example is a parent not being able to meet stringent and unfair work obligations, which can result in incomes being reduced.

Sanctions are harmful to children, because they further reduce income that is already not sufficient for all their needs; and they perpetuate a blameful, stigmatising narrative around sole parents and welfare recipients. Furthermore, there is no evidence that sanctions work. A major UK study found that 'benefit sanctions do little to enhance people's motivations to prepare for, seek or enter paid work'. On the contrary, sanctions 'routinely trigger profoundly negative personal, financial, health and behavioural outcomes'.<sup>10</sup>

WEAG recommends MSD remove some obligations and sanctions.<sup>11</sup> Within the detailed recommendations, WEAG advised MSD to 'reform the obligations and sanctions regime into a system of mutual expectations and responsibilities, apply these according to the circumstances of the individual ... Strong checks to mitigate potential negative impacts on individuals and their families will be required. This new approach is strongly connected to improving wellbeing and supporting the increased skills and labour market capacity of the individual and family or whānau.'

CPAG believes that no sanctions, including sanctions for failing drug tests, should ever be applied where they impact on the lives of children, or create deeper poverty for those who are reliant on welfare assistance for their basic needs. Likewise, NZCCSS and Auckland Action Against Poverty (AAP) have also called for abolishing sanctions. NZCCSS stated 'the sanctions regime is punitive and denies vulnerable people and their children vitally important income. Reform of the social security must include dismantling a cruel and unnecessary system that has the main effect of driving people into further poverty'.<sup>12</sup>

AAP says, "There is no justification for using the welfare system to economically punish sole mothers and their children, especially not in the name of a failed 'child support' policy. The welfare system should ensure that sole mothers are able to have the financial security and independence necessary to raise their children."<sup>13</sup>

*"Fear of sanctions pushed myself and my partner into disclosing our relationship too early into getting to know each other. This meant myself and my children were economically dependent on him which put a new relationship under a lot of strain and as a result did not last."*

*- Emma, Supported Living Payment.*

10 CPAG (2018) "CPAG urges immediate action on sanctions where there are children"  
<https://www.cpag.org.nz/news/cpag-urges-immediate-action-on-sanctions/>

11 Whakamana Tāngata (2019). Recommendation 11. For example, pre-benefit activities, warrants to arrest sanctions, social obligations, drug-testing sanctions, 52-week reapplication requirements, sanctions for not naming the other parent, the subsequent child work obligation, and the mandatory work ability assessment for people with health conditions or disabilities

12 NZCCSS comment to the WEAG 9 November 2018.

13 Auckland Action Against Poverty (2016). Stop the Sanctions campaign FAQ.

# Changing the rules for new relationships will build trust and improve lives

## Recommendation 28

As it currently stands, rules around relationships unjustly punish and stigmatise already struggling single parents. Couples who are on a benefit are penalised by having a reduced rate benefit. These rules reflect outdated thinking about the nature of relationships and dependence on a partner.<sup>14</sup> For example, MSD considers individuals to be in a relationship ‘in the nature of marriage’ if they have seen each other for six weeks, or have entered into a sexual relationship.

WEAG recommend MSD should ‘move income support settings over time’ so that the impact of being in ‘a relationship in the nature of marriage’ is more neutral.<sup>15</sup> Included in their suggestions was:

1. Moving towards a couple’s benefit rate that is closer to twice the amount of the single rate;
2. Allow a 6-month period after people move in together as a couple, before a relationship is deemed to exist for the purposes of determining benefit eligibility; and
3. The provision of a short-term entitlement for partnered people who lose their jobs or incomes (due to redundancy, or a health condition or disability of themselves or child) through an earnings disregard of their partner’s income (up to around \$48,000 a year).<sup>16</sup>

CPAG says that the most critical first step is to individualise benefit entitlements. Increasing the married person rate to twice the single rate should be an immediate first step.

The WEAG’s recommendations are an improvement on current policy. In particular, CPAG agrees there should be a short-term entitlement to a main benefit in the above scenario. However CPAG suggests the relationship rules should align more closely to the Property (Relationships) Act 1976 (three years) as six months is not sufficient to establish financial co-dependence especially where there are children of one parent in the couple. This three-year period could be shortened based on a test of income adequacy, income-sharing, co-residing and in sufficient consultation with all parties affected<sup>17</sup>.

*“Almost every couple I know has different arrangements for their finances. But fighting over who pays the bills is a luxury, a fringe benefit of not being disabled, or having children in your care, or being low-waged and on the benefit. For people like me, who need support because of circumstances beyond our control ... sickness, marriage separation, job loss, an out-of-control rental market ... as soon as we’re in a ‘relationship’, we have no choice but to surrender what little financial independence we have. Should my children lose their financial support if I happen to find someone I want to build a new life with? And if this hypothetical new partner can’t sustain the cost of a family, should they miss out on the chance of becoming part of one? Should I risk potentially harmful dependence?”*

*- Renee, Sole Parent Support.*

14 Healey and Curtin (2019) “‘Relationship status’ and the Welfare System in Aotearoa New Zealand”

15 Whakamana Tāngata (2019). Recommendation 28

16 Whakamana Tāngata (2019). p.201

17 Fletcher, M. (2018) Individualising entitlements in New Zealand’s benefit and social assistance systems. <https://thehub.sia.govt.nz/assets/Uploads/NEW-Individualisation-of-benefits-FINAL.pdf>

# Savings for emergency costs and future security are essential for a good life

## Recommendation 33

CPAG has maintained that the cash asset test for benefits and additional supplement eligibility is unfairly and perplexingly low. Families are forced to use up their savings in order to have a regular welfare payment or additional supplement, such as the Accommodation Supplement<sup>18</sup>. For additional one-off costs assistance the cash asset limit is even lower.<sup>19</sup> What's left, to qualify them for the payments, means having little-to-no personal protection against significant and unexpected expenses, for example the cost to replace a car, or to pay for expensive back-to-school costs. As a result, for such costs low-income people are turning to recoverable assistance from Work and Income often as well as high interest loans provided by fringe lenders. This further impacts on their weekly disposable income, often exacerbating and increasing the duration of their poverty. The policy also negates their ability to save for future security such as a family home.

The WEAG stated that these levels, like others within welfare system policy, were set decades ago and not adjusted since. The group recommended that cash assets for the Accommodation Supplement must be immediately increased to at least \$42,700 (the cash asset level for public housing)<sup>20</sup> and further increased to allow people to be able to save for a mortgage deposit on a median-priced home. It said also that the cash asset abatement test should be removed, with housing support abated solely on income.

*"In 2017 I almost didn't get the Accommodation Supplement even though I was eligible - my case manager told me I wouldn't be eligible as my assets were above the threshold, not knowing that it's higher for sole parents. But I was lucky that she checked when I asked her to. She had a pretty good attitude about it though and was quite supportive!"*

*- Renee, Sole Parent Support.*

## A successful welfare system should be underpinned by principles of compassion and caring

### Recommendations 1 and 2

CPAG recommends that welfare reform should be guided by principles of compassion and caring, and the real needs of families. It should acknowledge that parenting is significant work without a stressful over-emphasis on paid employment requirements, and punitive, corrective methods. A priority of reform should be ensuring Work and Income staff are trained sufficiently to guarantee applicants receive all the assistance to which they are entitled. Similarly, NZCCSS has a vision for a welfare system that enables people rather than impoverishes them (aroaha tetāhi ki tetāhi - let us look after each other).<sup>21</sup>

We are pleased by the WEAG's recommendations to amend the Social Security Legislation to update the purposes and principles of the Act. We agree that dignity and compassion should underpin all interactions and decisions. WEAG acknowledged that most people's experience of receiving welfare assistance are overwhelmingly negative, lending to mental health problems and anxiety, fear and resentment. The likely outcome of this is missed appointments and deeper poverty. The scope of the work needing done at the front-line to ensure staff act ethically and compassionately at all times, and so people feel supported and have a positive experience will be significant. The report's detailed recommendations in this area are substantial.<sup>22</sup>

18 Cash asset limit for Accommodation Supplement: \$8,100 (single person) or \$16,200 (sole parent, or a married, civil union or de facto couple) <https://www.workandincome.govt.nz/map/income-support/extra-help/accommodation-supplement/assets-beneficiaries-01.html>

19 Cash asset limit - one-off costs: \$1,095.16 (single person) or \$1,824.83 (married, civil union or de facto couple (with or without children) or sole parent) <https://www.workandincome.govt.nz/products/payment-for-one-off-costs/index.html>

20 Whakamana Tāngata, Recommendation 33 (see detailed recommendations p. 125)

21 NZCCSS comment to the WEAG 9 November 2018.

22 Whakamana Tāngata, Recommendation 12. See p. 195: "Mutual expectations framework" and p.196: "Resourcing and other processes of the public-facing, frontline service are consistent with the new purpose and principles".

*“One of the things that you don’t talk about when you’re on the benefit is the stress of being poor. I lived in a one-bedroom flat (part of a garage) with the kids to keep costs low, and I was grateful, yes, to have shelter and food and to be able to heat. The thing is, being on a benefit is often the result of a life shock, and that’s already stressful. I crash-landed into this new territory of single parenthood, and then I suddenly had all the stress of having to meet work requirements (the constant dread that I’d entered my income wrong last week - fraud!), or maybe I’d get a bill that would wipe out the rest of my savings, the anxiety is constant, relentless, and you can’t really talk about it because there’s all this stigma around it. And you can’t do those little things that would just help release the pressure a bit - you know, just going out for a coffee or buying the kids an ice cream, not without having to give something else up or dig into the diminishing savings pile. I don’t think it needs to be this hard. Why are we piling more stress on the parents of children at such a crucial stage in their development - when they’re already going through enough? It’s tough being hard up, but it’s even tougher living with the constant worry of sanctions and requirements. We don’t treat eligibility for education, healthcare or tax credits like this.”*

*- Renee, Sole Parent Support.*

*“I’m dealing with severe post natal depression and anxiety and am terrified from traumatic past experience with WINZ to explain why their probing questions into my personal life cause me PTSD.”*

*- Ursula, Sole Parent Support.*

*“I was told that if I found work my partner’s benefit would not be affected. I took the job only to find out his [benefit was] cut and we were worse off weekly.”*

*- Kelsi, Supported Living Benefit.*

*“I was investigated by WINZ. This was a extremely stressful experience finding out that my neighbours, employer, children’s school, services I used was aware of this before me! I felt a huge level of shame, even though the complaint was proved wrong.”*

*- Liz, Sole Parent Support.*

## Urgent call to action

In addition to encouraging the government to adopt these recommendations, we are also asking for an emergency response to address the urgent need. Right now families receiving a benefit are doing marginally better over winter thanks to an extra \$20-\$30 per week towards for their power bills. But this is set to end in September. Meanwhile rents have increased, food prices have gone up, debts have accumulated. These families won’t see much if any gains from the recently announced changes until July 2020. We urge the Government to continue their Winter Energy Payment as a top-up to main benefits until main benefit levels are increased.

## Papers for reference

- CPAG (2018). What it will take to have a welfare system fit for families in the 21st century (<https://www.cpag.org.nz/assets/1811%20CPAG%20WFFF%20recommendations%20FINAL%20WEB.pdf>)
- WEAG (2019). Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand. (<http://weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf>)