



Benefit sanctions and children: an urgent need for greater clarity

Child Poverty Action Group Policy Monitoring Report
Donna Wynd

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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.

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Child Poverty Action Group Inc.

PO Box 5611

Wellesley St

Auckland 1141

New Zealand

www.cpag.org.nz

Table of Contents

Introduction..... 4

What is a 'sanction'? 4

Benefit sanctions 5

Travelling overseas 7

Discussion and conclusion 9

References..... 12

Appendices..... 13



Introduction

This is the third in Child Poverty Action Group's (CPAG) series monitoring the number of sanctions imposed on beneficiary parents. The data in this report covers the period from April-December 2013. There remain significant delays in obtaining data from the Ministry of Social Development (MSD) with information being received well beyond the 20 working days allowable under the Official Information Act (OIA). The data itself, and its implications for children, remains confusing and unclear.

A key feature of the National government's welfare reforms has been the introduction of sanctions (financial penalties) on parents receiving income support benefits for breaches of what are deemed 'social obligations'. Introduced on the assumption that financial penalties were necessary to change the behaviour of beneficiary parents, there is no evidence in the data presented here that such sanctions are changing beneficiary behaviour, or that such changes were even required.

This report considers not only the sanctions data, but also data received under the OIA with respect to parents who have had their benefits suspended for 'travelling overseas'. This is followed by a brief discussion and conclusion.

The report begins by clarifying what counts as a sanction under the Social Security Act for the purposes of the data CPAG has obtained from MSD. It then examines the number of beneficiaries sanctioned in the nine months up to the end of December 2013 before examining the sanctions imposed on beneficiaries for travelling overseas. The report concludes with a discussion of the issues arising from the data on sanctions, including its poor quality and lack of coverage.

What is a 'sanction'?

A sanction is a financial penalty applied to a beneficiary who fails to comply with an obligation required under the Social Security Act. Obligations fall into two main categories: job-seeking and work preparation, and social obligations (see Table 1). The maximum benefit sanction for a parent or parents caring for children is a 50% suspension or cancellation of benefit.^{1,2} The time is variable, and depends on when WINZ deems the beneficiary to have complied with their obligation. The supplementary benefits of a sole parent with children are not affected by sanctions, while a couple with dependent children can lose 50% of their supplementary benefits for Grade 2 and Grade 3 sanctions.

¹ A table outlining the benefit sanctions regime, including what constitutes a Grade 1, 2 or 3 sanction is at Appendix 1.

² For parents there is no substantive difference between a Grade 1, 2 or 3 sanction as they all involve a maximum of 50% loss of benefit. The key difference between a benefit suspension and cancellation is that a suspended benefit is reinstated immediately should the beneficiary comply with their obligations whereas for a cancellation there is a 13 week stand down from the date of the cancellation whether or not the beneficiary complies (s117 Social Security Act 1964). See St John (2014) and Wynd (2013) for further details.

Table 1: Obligations for beneficiaries with children³

Job-seeking obligations	Social obligations
<p>Includes:</p> <ul style="list-style-type: none"> • A work assessment • A programme or seminar to increase particular skills or enhance motivation • A work-experience or work-exploration activity • Employment-related training • An education programme • Any other activity (including rehabilitation) other than medical treatment, voluntary work, or activity in the community. 	<p>Children of beneficiaries must:</p> <ul style="list-style-type: none"> • Be enrolled with a primary healthcare provider • Be up-to-date with core medical checks • Be enrolled in a recognised early childhood education programme from age 3 • Attend School

Of the sanctions recorded here (see Table 2), all are for breaches of job-seeking/work preparation obligations. None are for breaches of social obligations.

Benefit sanctions

Table 2 below details the number of benefit suspensions and cancellations applied to beneficiaries with children in the 9 months to the end of December 2013.⁴ The numbers are for suspensions/cancellations as at the end of June, September and December 2013, not the total number of parents sanctioned during the quarter. The table shows the sanctions by the age of the youngest child (but not the total number of children in a family affected) and by the duration of the sanction (less than or more than 4 weeks). This data in turn is broken down by region. “S” indicates the data has been suppressed for reasons of privacy (ie a very few readily identifiable individuals within an area).

The number of sanctions resulting in suspensions/cancellations rose from 650 as at the end of June to 965 at the end of September. The number had reduced to 579 at the end of December 2013. MSD have confirmed that as at the end of December 2013 there were no sanctions for breaches of social obligations.

MSD have confirmed that the figures in Table 2 “show the number of beneficiaries, at the end of June, September and December 2013, who had a reduction in their benefit payment.”⁵ The sanctions shown in Table 2 “were imposed because the beneficiaries did not have a good and sufficient reason for not meeting their work related obligations, such as failure to attend an appointment with Work and Income or failure to comply with a step in their work plan.”⁶

The lack of sanctions applied for failure to comply with social obligations highlights the lack of any evidential basis for the introduction of this policy. This is discussed below.

³ ss 60Q and 60RA Social Security Act 1964.

⁴ Provided in response to an official Information Act request.

⁵ Email correspondence with CPAG.

⁶ Ibid.

Table 2: Number of sanctions imposed as at the end of June 2013, September 2013 and December 2013 by age of youngest child, by duration of sanction and by administrative region

		Age of youngest child				Duration of sanction		
		<5 yrs	5-13yrs	>13 yrs	Up to 4 weeks	4 weeks and over	TOTAL	
Jun-13	Northland	S	S	S	17	5	22	
	Auckland Metro	S	196	53	172	110	282	
	Waikato	7	30	24	37	24	61	
	Taranaki	7	18	7	18	14	32	
	Bay of Plenty	5	28	18	42	9	51	
	East Coast	4	24	3	20	11	31	
	Central	S	35	S	36	6	42	
	Wellington	S	S	15	17	15	32	
	Nelson	S	S		6	3	9	
	Canterbury	S	36	S	31	17	48	
	Southern	S	S	S	4	1	5	
	Other	35			18	17	35	
	TOTAL	103	409	138	418	232	650	
Sep-13	Northland	6	48	15	51	18	69	
	Auckland Metro	S	206	66	238	75	313	
	Waikato	8	57	17	64	18	82	
	Taranaki	S	31	8	36	9	45	
	BOP	S	119	27	137	17	154	
	East Coast	5	56	10	59	12	71	
	Central	5	37	18	41	19	60	
	Wellington	S	29	S	26	13	39	
	Nelson	S	S	S	14		14	
	Canterbury	7	66	12	67	18	85	
	Southern	S	S	S	14	3	17	
	Other	15		S	5	11	16	
	TOTAL	108	666	191	752	213	965	
Dec-13	Northland	S	S	S	23	13	36	
	Auckland Metro	29	136	37	129	73	202	
	Waikato	5	39	10	39	15	54	
	Taranaki	8	14	3	19	6	25	
	Bay of Plenty	13	63	16	65	27	92	
	East Coast	S	35	S	28	17	45	
	Central	S	S	S	18	10	28	
	Wellington	S	12	S	11	10	21	
	Nelson	S	S	S	4	1	5	
	Canterbury	S	33	S	25	18	43	
	Southern	S	S	S	4	4	8	
	Other	S	S	S	4	16	20	
	TOTAL	100	386	93	369	210	579	

Data obtained from MSD on the number of sanctions applied continues to be contradictory and difficult to reconcile. In an earlier monitoring report, CPAG noted data showing that the number of beneficiaries who had their benefits suspended/cancelled as a result of Grade 2 and 3 sanctions from July 15 2013-December 2013 was 18 (Wynd, 2014, p. 5). However, the figures above show the number of benefit suspensions/cancellations in the hundreds. If we assume approximately 2 children per beneficiary household then the number of children living in households with reduced incomes runs into many hundreds – almost 2,000 as at the end of September. Table 2 also shows that at the end of each quarter approximately 200 beneficiary parents had had their benefits halved for at least 4 weeks. Unfortunately we do not know how many children in total were affected, or whether the same parents were included in successive totals. Nor do we know how many parents in total had their benefits halved during the 9 month period. This lack of coherence reinforces the need for regular reporting of clear, easily understood data.

Nonetheless, the number of suspensions/cancellations shown in Table 2 is easily reconciled with the very high numbers of benefit reductions (or cuts) reported by beneficiaries, beneficiary advocates and social agencies, and their negative impact on the children in those families.

Travelling overseas

Not all benefit suspensions and cancellations are classified as sanctions. For example, benefit suspensions for travelling overseas are not recorded as sanctions although a significant number of benefit suspensions occur for this reason. The Ministry of Social Development explains:⁷

When a person's benefit is suspended because they are overseas, this is because they have no entitlement to a benefit during the period of their absence from New Zealand. This is different from a sanction, which can be imposed on people who fail to meet their obligations, such as looking or preparing for work.

Benefit suspensions for travelling overseas arise because beneficiaries are deemed to be not eligible for a benefit while absent from New Zealand. This lack of eligibility rather than the breaching of an obligation means suspensions for travelling overseas are not classified as sanctions. Table 3 sets out the number of benefit suspensions, the number of children in the household two weeks prior to the suspension, and the estimated number of children affected (where the number is unknown, it has been assumed that there is one child in the household).

⁷ Official Information Act request. File held with CPAG.

Table 3: Number of Sole Parent Support benefit suspensions from 15 July 2013-end of January 2014 for travelling overseas, broken down by number of children in the household⁸

Number of children in the household two weeks prior to Sole Parent Support benefit suspension	Number of benefit suspensions	Total children affected
1 child	2,435	2,435
2 children	1,405	2,810
3 children	536	1,608
4 children	219	876
5 children	61	305
6 children	48	288
Unknown	132	132
TOTAL	4,836	8,454 (est)

Approximately 8,400 children were living in households with the benefit income halved for an unspecified amount of time for travelling overseas. If we assume that the suspension lasts for the period the beneficiary was not entitled to a benefit, and that the maximum time a beneficiary is permitted to be overseas is 28 days, then it is possible some of these children have had their household income severely constrained for 4 weeks. Even where the suspension period is less, the very high levels of income poverty among sole parent beneficiaries raises serious questions about how adequately children's basic needs are being met.

CPAG also requested the number of benefit suspensions broken down by age of the youngest child. Table 4 shows that 56% of the 4,836 benefit suspensions for travelling overseas included a household where the youngest child was aged 5 years or younger. In other words, these children are facing severe income cuts for something over which they have no control at a critical stage of their development.

Table 4: Number of benefit suspensions for travelling overseas broken down by age of youngest child July 2013-January 2014

Age of youngest child in household two weeks prior to Sole Parent Support suspension	Number of benefit suspensions for overseas travel
5 years and under	2,723
6 to 13 years	1,981
Unknown	132
TOTAL	4,836

Also requested was the number of suspensions broken down by region. The data shown in Table 5 is the estimated rate (as a percentage) of benefit suspensions among those receiving Sole Parent Support (SPS). The number of SPS recipients has been estimated by taking the average of the number of recipients in the June, September and December 2013 quarters. Although not quite synchronous with the date of the data, the dates are close enough for the estimates to be largely correct.

⁸ Data held with CPAG.

Table 5 shows the estimated percent of Auckland SPS recipients who had benefits suspended for 'travelling overseas' was an astonishing 9%. Is it really possible that almost 10% of Auckland's sole parents went overseas without informing Work and Income, and had to have their benefits suspended as a result? The next highest proportion is SPS recipients from Wellington and Christchurch. This suggests an urban bias although it is not clear from the data whether residents of urban centres are more likely to travel or more likely to get their benefits suspended as a result of travel. In common with other Work and Income data, there is no indication of how many of these suspensions were due to administrative error.

Table 5: Estimated rate of benefit suspensions for travelling overseas among Sole Parent Support recipients by region

	Average SPS July- December 2013	Total benefit suspensions	Rate of suspensions (%)
Auckland	26,586	2,414	9.1
BOP	8,859	386	4.4
Canterbury	5,832	354	6.1
Central	4,582	186	4.1
East Coast	5,605	228	4.1
Nelson	2,815	110	3.9
Northland	4,802	184	3.8
Southern	4,352	144	3.3
Taranaki	3,946	136	3.4
Waikato	7,129	327	4.6
Wellington	5,366	328	6.1
Other	195	39	20.0

Discussion and conclusion

The changes to welfare support that have occurred since 2010 are far-reaching and have had a profound impact on parents and children. Data from MSD (Perry, 2014, p. 135) shows that the number of children living in households earning less than 40% of the median income after housing costs has increased by 20,000 since 2010 to 135,000 (13% of all children) (see also Dale, O'Brien, & St John, 2014). These families are likely to be beneficiary parents with limited resources to meet even limited obligations to attend meetings and job-seeking seminars, let alone withstand periods of no or reduced benefit. And, as is becoming clear from discussions with beneficiaries, extraordinary circumstances such as a sick or disabled child makes meeting work obligations almost impossible.

It is also difficult to imagine that almost 6% of SPS recipients (almost 10% in the Auckland region) travelled overseas in the period July 2013 – January 2014. It would be helpful to know how long people's benefits were suspended for, and what proportion of these suspensions were errors.

The number of caregivers recorded as having had their benefits halved as at the end of June, September and December 2013 is alarming. The numbers show many hundreds of children were in households with severely reduced incomes at these times. Of the benefit reductions for failure to

comply with job-seeking obligations it would be useful to know:

- how many were because parents were unable to attend Work and Income appointments because they were caring for children, had other family obligations or lacked reliable transport;
- how many failed to attend job-training seminars because of family and childcare obligations; and
- how many were sanctioned because Work and Income deemed a beneficiary's circumstances had changed.

In other words, what volume of sanctions were applied either because of circumstances beyond the beneficiary's control or due to administrative error at Work and Income? The question is not trivial: children in sole parent beneficiary households are at the greatest risk of deep poverty, and the halving of a recipient's benefit for any length of time places children, especially very young children, at significant risk of material hardship.

It is notable that none of the benefit reductions were the result of failures of social obligations. Both the Welfare Working Group and the Minister insisted that social obligations were necessary to improve outcomes for beneficiary children, although neither produced any evidence to support this claim. The lack of sanctions for failure to comply with social obligations suggests that, contrary to the assumptions of both the Welfare Working Group and the Minister, the behaviour of beneficiary parents is not significantly different to that of the general population. It is possible that in the future this picture will change as the government rolls out more information-matching technology designed to more closely monitor beneficiaries. However, even if it does, this still begs the question of whether meeting these obligations will improve outcomes for children. The data to date suggests not, so long as the critical issue of income continues to be ignored.

CPAG continues to be perplexed at the lack of clarity in the data supplied by MSD. As noted above, the data also appears to be contradictory, and it is difficult to ascertain why this should be the case. We note again that this is public information, and it should be transparent and readily available from MSD rather than the subject of drawn-out OIA requests.

CPAG repeats its call for better information especially around the impact of the welfare reforms on children. Every one of the sanctions noted above is a parent "with a complex life juggling competing interests, caught in a matrix of political and financial pressures over which [they have] little control."⁹

To reiterate, it is not only the quantum of sanctions imposed that needs to be reported but:

- the number of sanctions imposed by grade of sanction;
- the reason the sanction has been imposed;
- the number of clients with children who have had their benefits suspended or cancelled;
- how many children are affected by these suspensions and cancellations;
- the length of time the suspension/cancellation was active (and the number of children affected);
- a breakdown of these figures by age-group of the child, and region.

The Ministry of Social Development also needs to regularly publish data pertaining to:

- how many beneficiaries have left a benefit to go into paid work;

⁹ <http://spiderandme.blogspot.co.nz/2014/08/theoretically-indisputable.html>.

- how many beneficiaries have moved back from paid work onto a benefit within 6 and 12 months.

In reality, the public has little idea of whether the government's "relentless focus on work" is improving outcomes for children, or protecting vulnerable children – something the Minister claims is her priority. As the economy is predicted to slow down again, before having materially helped those left behind as a result of the previous recession, the public deserve to know what has been the impact of pouring millions of dollars into reforming social assistance.

In May of this year, Paula Bennett announced her intention to rewrite the Social Security Act.¹⁰ It is vital that before any such exercise is undertaken New Zealanders have a clear understanding of whether the current system is achieving its objectives, whether it is in fact disadvantaging further thousands of children as the government's own data suggests it is, and what would be a better way to nurture and protect all children in circumstances of adversity.

¹⁰ <http://www.beehive.govt.nz/release/social-security-act-set-rewrite>.

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Appendices

Appendix 1: Graduated sanctions table

GRADUATED SANCTIONS TABLE

Text in bold italics denotes that the sanction imposed is limited by the 50% protection rule for clients with dependent children

	Single, no dependent children		Single, dependent children		Couple, no dependent children, one fails their obligations			Couple, no dependent children, both fail their obligations			Couple, dependent children, one fails their obligations			Couple, dependent children, both fail their obligations		
	Main bft	Supp bft	Main bft	Supp bft	Person 1 main bft	Person 2 main bft	Supp bft	Person 1 main bft	Person 2 main bft	Supp bft	Person 1 main bft	Person 2 main bft	Supp bft	Person 1 main bft	Person 2 main bft	Supp bft
Grade 1 sanction Client has obligation-failure for the first time in the last 12 months and has not recompiled within five working days of the obligation failure.	50% reduction	Not affected	50% reduction	Not affected	50% reduction of person 1's portion of benefit	No change (receives 50% of benefit)	Not affected	50% reduction of person 1's portion of benefit	50% reduction of person 2's portion of benefit	Not affected	50% reduction of person 1's portion of benefit	No change (receives 50% of benefit)	Not affected	50% reduction of person 1's portion of benefit	50% reduction of person 2's portion of benefit	Not affected
					Couple receive 75% (50% + 25%) of main benefit overall			Couple receive 50% (25% + 25%) of main benefit overall			Couple receive 75% (50% + 25%) of main benefit overall			Couple receive 50% (25% + 25%) of main benefit overall		
Grade 2 sanction Client has obligation-failure for the second time in the last 12 months and has not recompiled within five working days of the obligation failure.	100% suspension	100% suspension	50% reduction	Not affected	Person 1's portion of benefit suspended	No change (receives 50% of benefit)	Person 2 receives 50% supp bft	Person 1's portion of benefit suspended	Person 2's portion of benefit suspended	100% suspension	Person 1's portion of benefit suspended	No change (receives 50% of benefit)	Person 2 receives 50% supp bft	Person with the dependent children continues to receive 50%, person 2's portion reduced to 0%		Couple receive 50% supp bft
					Couple receive 50% (0% +50%) of main benefit overall			100% suspension			Couple receive 50% (0% +50%) of main benefit overall			Couple receive 50% main benefit overall		
Grade 3 sanction Client has obligation-failure for the third time in the last 12 months and has not recompiled within five working days of the obligation failure.	100% cancellation	100% cancellation	50% cancellation	Not affected	Person 1's portion of benefit cancelled	No change (receives 50% of benefit)	Person 2 receives 50% supp bft	Person 1's portion of benefit cancelled	Person 2's portion of benefit cancelled	100% cancellation	Person 1's portion of benefit cancelled	No change (receives 50% of benefit)	Person 2 receives 50% supp bft	Person with the dependent children continues to receive 50%, person 2's portion reduced to 0%		Couple receive 50% supp bft
					Couple receive 50% (0% +50%) of main benefit overall			100% cancellation			Couple receive 50% (0% +50%) of main benefit overall			Couple receive 50% main benefit overall		

Adapted from Ministry of Social Development 2014