

CHiLD POVERTY ACTION GROUP

Child Poverty Action Group

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Social Services Select Committee

Parliament Buildings

Wellington

Submission:

Social Security (Benefit Categories and Work Focus) Amendment Bill

Child Poverty Action Group thanks the Select Committee for the opportunity to submit on this Bill. Child Poverty Action Group (CPAG) comprises a group of academics and workers in the field dedicated to achieving better policies for children. The aims of our organisation are:

- The development and promotion of better policies for children and young people.
- Sharing information and connecting with other groups with similar concerns.
- Elimination of child poverty in Aotearoa New Zealand by 2020

Along with other children's agencies, we are very concerned about the implications of this Bill on children and young people. We urge Committee members to carefully consider the impacts of this legislation on the most vulnerable children in the community, and to act in their best interests.

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We wish to speak to our submission

CPAG submission

- [1] **CPAG submits that sole parents be able to access the new Sole Parent Support until such times as their youngest child leaves home or turns 18, whichever occurs first. Benefit data suggests that many parents of older children will move into paid work of their own accord if and when it becomes available, and that this 'incentive' is punitive and pointless.**
- [2] **CPAG submits that provisions requiring the mothers of one-year olds to be subject to work tests be deleted.**
- [3] **CPAG submits that reference to the spouses and partners of beneficiaries being subject to the same obligations as beneficiaries themselves be removed *unless those partners are on a benefit in their own right.***
- [4] **CPAG submits that the range of pre-benefit activities be restricted to assessing benefit eligibility and providing assistance to jobseekers where required. It should NOT be extended in the case of sole parent applicants or couples with children.**
- [5] **CPAG submits that clauses extending the bar to full-time study to all those on jobseeker support be deleted. This flies in the face of any notion of investment and risks keeping disadvantaged New Zealanders in a cycle of poverty.**
- [6] **CPAG submits that the meaning of suitable employment be changed to read "suitable employment in relation to a person, means employment that the chief executive is satisfied is suitable for the person to undertake for a number of hours a week determined by the chief executive having regard to the employment required to satisfy the work test for that person *considering the person's individual circumstances and the needs of their children and whether the offer of employment is on terms and conditions no less favourable than those usually offered for the type of work in the region.*"**

- [7] CPAG further submits that the clause allowing for sanctions against sole parents who refuse suitable employment be deleted as this risks harming already vulnerable children. Children should not be punished for the labour market status of their parents.
- [8] CPAG submits that if work assessments are introduced they must be carried out by Work and Income or another government agency with no financial stake in moving people off benefits (ie they must not be used as a proxy quota system), they must be genuinely tied to assisting people to seek appropriate employment, and there must be an independent, easily accessible, speedy and robust appeal process with the power to make binding recommendations on Work and Income.
- [9] CPAG endorses the CTU submission that drug-testing only be introduced for safety-sensitive occupations (we agree that the current criteria are too loose), and that the first remedy for failing a drug test be counselling and rehabilitation. The proposal to use sanctions against sole parent beneficiaries should be removed.
- [10] CPAG submits that the obligation for beneficiary parents to send their children to early childhood care and education from age 3 to when they start school be deleted altogether until such times as easy local access to quality, affordable and culturally appropriate early childhood care and education facilities is available for all parents with children.

Introduction

- [11] Child Poverty Action Group (CPAG) has a number of concerns about this punitive, short-sighted Bill. The primary and most pressing concern is that *this Bill contains no measures to reduce levels of child poverty. Nor is there any acknowledgement that caring for children is work, and that a sole parent is doing the work of two.*
- [12] As has been the case with other social security reforms ushered through by this administration, the emphasis is on 'obligations' for those who are unwell, unemployed or raising a child or children on their own while drawing a benefit, single outs and stigmatises them and their children. And, as with other recent amendments to the Social Security Act, the measures proposed here have no evidential basis, but are driven by ideology and hearsay. It is not 'obvious' or 'common sense' that those on benefits have drug-taking or other social habits markedly different from others, nor is there any evidence their children are more or less likely to attend pre-school or compulsory education. Improving health and educational outcomes for children is the role of the health and education systems respectively. It is not a fit and proper role for the welfare system, and pretending it is, as this Bill seeks to do, is cynical while potentially adding significant stress to already struggling households.
- [13] There is no acknowledgement within the Bill of broader prevailing economic or other circumstances that contribute to people being on a benefit: rather,

following from the premise first laid out in the Terms of Reference for the Welfare Working Group, the underlying assumption is that beneficiaries are 'dependent' and lazy, and must be coerced into finding work.

[14] This Bill will do nothing to address the immediate and urgent problem of child poverty in New Zealand. We see this best exemplified by the Bill's focus on so-called 'independence' through work, rather than acknowledging the factors contributing to the generally dismal financial situation of sole parent and other beneficiary households. We can see no measures to alleviate poverty, improve household incomes or address the socioeconomic disadvantage that characterises many sole parents and other beneficiary households.¹ The core problems of high effective marginal tax rates faced by beneficiaries, the complexity of Working for Families, and the lack of alignment between the existing work test and Working for Families eligibility, continue to be ignored. Recent data from the Ministry of Social Development indicates that child poverty rates have increased among those in paid work; paid work is, therefore, not the solution to the problem of child poverty, as the current policy thrust and this Bill suggest.

[15] The obligations and sanctions set out in the Bill cut across the Minister of Social Development's well-publicised desire to reduce child abuse. Adding stress to resource-poor households (especially through economic sanctions), particularly when there is no allowance for illness or disability of children or caregivers, is likely to greatly increase the chances of children being abused or neglected.² CPAG is also concerned that the obligations this Bill hopes to impose on beneficiaries, especially sole parents, have not been accompanied by any corresponding commitment to improving the availability of jobs, pre-school and out-of-school care for children, or improving access to education and training.

[16] CPAG is also concerned that the approach underlying this Bill has been mislabelled an investment approach. A genuine investment approach would encompass a range of training and education opportunities (including adult literacy programmes) for those on benefits; it would include a commitment to reducing discrimination in the labour market (for example that experienced by the disabled); it would include a commitment to ensuring suitable paid work was

¹ Fletcher, M. (2011). Some Policy Issues for Reforms of Assistance to Sole Parents. *Policy Quarterly*, 7(2), 38-45.

² The link between poverty and abuse and neglect has been well established. Falls in income have also been directly linked to higher rates of child neglect. See Angus, J., & Pilott, B. (2000). *Familial Caregiver's Physical Abuse and Neglect of Children: A Literature Review* Wellington: Ministry of Social Policy. Available <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/archive/2000-familialcaregiverslitreview.pdf>, also Paxson, C., & Waldfogel, J. (1999). *Work, Welfare, and Child Maltreatment*. Cambridge, MA: National Bureau of Economic Research. Working Paper 7343, <http://www.nber.org/papers/w7343>.

available for those who wanted it; and it would include an anti-poverty strategy so that beneficiaries in part-time work were materially better off for having worked. None of these are present in this Bill.

[17] What this Bill does seek to do is minimise costs by focusing on those most at risk of so-called 'long-term dependence'. This is not an investment in any normal sense of the word. In reality it means a particular group of persons will be singled out for special attention, with the very high likelihood that funding for programmes that supports other disadvantaged groups will be withdrawn. Support for the most disadvantaged must not be funded by withdrawing support for the slightly less disadvantaged.

[18] CPAG also has concerns that this cost-driven approach will create perverse incentives to move people off welfare into unsuitable jobs (poorly paid, irregular and/or late hours, dangerous work) with little regard for the wellbeing of children. Indeed, the measures in this Bill, including the contracting out of social assistance services to external providers, suggests that the wellbeing of children has been a very distant consideration in the drafting of this Bill.³

New benefit categories

[19] There are a number of reasons to be concerned about the proposed new benefit categories. However, in view of the detail involved, CPAG will focus on those that affect children.

[20] CPAG's main concern is the proposal to move sole parent beneficiaries onto Jobseeker Support when their youngest child turns 14. It is argued this will reinforce the message that parents are expected to seek full-time work at that time.

[21] This proposal does not appear to have been well considered, most obviously because being the custodial parent of an adolescent or adolescents aged 14 and over is not equivalent to being a single unemployed person with a costless appendage. Legality is not the issue: leaving a 14 year old at home alone does not necessarily make this appropriate or acceptable. Overseas evidence suggests that some of the most significant impact on welfare reforms is on adolescents.⁴ CPAG is concerned about the suggestion that older children should be left unattended so that parents can meet work requirements. Research shows that many 14 year olds are vulnerable if left unsupervised.⁵

³ CPAG is aware the Bill states (p3) that it seeks to improve outcomes for vulnerable children, but given the contents of this Bill, CPAG takes the view that this is mere public relations.

⁴ O'Brien, M. (2005) Workfare: Not Fair For Kids? Available at www.cpag.org.nz

⁵ See Ministry of Social Development. (2006). *Youth Gangs in Counties Manukau*. Wellington: Ministry of Social Development. Available <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/youth-gangs-counties-manukau/index.html>.

[22] Older children's basic needs are usually more expensive to meet than those of younger children. For example their basic food needs cost more than twice those of younger children.⁶ CPAG submits it is therefore not acceptable or appropriate to assume older children incur no costs, or to assume that suitable paid work is available for the sole parents of older children.

[23] **CPAG submits that sole parents be able to access the new Sole Parent Support until such times as their youngest child leaves home or turns 18, whichever occurs first. Benefit data suggests that many parents of older children will move into paid work of their own accord if and when it becomes available, and that this 'incentive' is punitive and pointless.**

Work testing for sole parents of one-year old children

[24] CPAG very strongly objects to the Bill's proposal to re-impose work obligations on the mothers of one-year old children in the event they have a child while on a benefit. This punitive measure has little to do with the wellbeing of children (and begs the question of what happens to the child if alternative care is not available) but, in common with much of the welfare reforms herein and enacted over the past several years, is far more concerned with controlling the behaviour of beneficiaries through sanctions and economic coercion. This provision is not child centred, and risks forcing mothers to make choices that expose their children to harm.

[25] **CPAG submits that provisions requiring the mothers of one-year olds to be subject to work tests be deleted.**

Pre-benefit testing and extension of obligations to spouses

[26] CPAG also has concerns about the Bills intention to extend work testing, pre-benefit activities and other obligations to the spouses and partners of beneficiaries. This 'guilt by association' would never be tolerated in any other sector: for example, we don't prosecute and imprison the spouses and partners of white-collar criminals even though they have undoubtedly benefited from the proceeds of that criminal activity. This provision applies *even when the partner/spouse is not themselves in receipt of a benefit*. This blanket intrusion into the families of beneficiaries has no theoretical, empirical or social policy justification. Again, the punitive approach to beneficiaries is evident in that this extension does not apply to those in receipt of other forms of government assistance such as those receiving Working for Families Tax credits or those receiving national superannuation who are caring for a dependent child.

[27] CPAG also has significant misgivings about the potential for spousal conflict and/or bullying should obligations including pre-benefit testing and job

⁶ Hopgood, T., Asher, I., Wall, C., Grant, C., Stewart, J., Muimuiheata, S., et al. (2010). Crunching the Numbers: The Affordability of Nutritious Food for New Zealand Children. *Nutrition and Dietetics*, 67(4), 251-257.

preparation be extended to spouses and partners of beneficiaries and benefit applicants. CPAG wonders how far this extends to other adults in the household? What happens in the case of blended families where children may not necessarily be directly related to the benefit applicant: what policy justification is there for capturing them and erasing their parents' right to decide what is best for their children? There appears once again to be a mismatch between wanting to reduce child abuse and enacting legislation that potentially increases the risk of conflict and violence within low-income households.

[28] CPAG's main concern focuses on couples with children in receipt of a benefit. At the last census approximately 10% of couples with children were in receipt of a benefit as their main listed source of income.⁷ Many of these couples live in areas with very limited work availability, limited access to childcare (rural areas, low-income urban areas), limited access to appropriate transport and limited access to the health services and support that would enable them to attain and keep paid employment. The threat of sanctions for the partners of beneficiaries under these circumstances is bizarre and effectively constitutes a collective punishment for families with children reliant on benefit income.

[29] **CPAG submits that reference to the spouses and partners of beneficiaries being subject to the same obligations as beneficiaries themselves be removed *unless those partners are on or are applying for a benefit in their own right.***

[30] CPAG is also very concerned about the proposal to introduce more measures to exclude people from ever even attaining a benefit. Experience from overseas shows that these gatekeeping measures often exclude those – including parents – in genuine need. While these measures may assist with the government's Better Public Service targets, they risk excluding and marginalizing people in need, including children.

[31] **CPAG submits that the range of pre-benefit activities be restricted to assessing benefit eligibility and providing assistance to jobseekers where required. It should NOT be extended in the case of sole parent applicants or couples with children.**

[32] As noted in para 16 above, a real investment approach would encompass training and education to enable those on benefits with few skills to improve not only their chances of getting paid work, but of earning a decent income. However, we note this Bill once again tries to shut off this escape route out of poverty, and extends the bar to full-time study to all those on jobseeker support, regardless of their circumstances. This is mean, petty and short-sighted and makes a nonsense of the so-called 'investment' approach.

⁷ This figure is no doubt larger now in view of higher unemployment rates and continuing layoffs in the primary production and manufacturing sectors. Unfortunately, the Work and Income *Benefit Fact Sheets* do not give this information.

[33] **CPAG submits that clauses extending the bar to full-time study to all those on jobseeker support be deleted. This flies in the face of any notion of investment and risks keeping disadvantaged New Zealanders in a cycle of poverty.**

Definition of ‘suitable employment’

[34] CPAG is deeply concerned about the proposal to cancel for a period of 13 weeks the benefit of a beneficiary who ‘fails to accept an offer of suitable employment’. The Bill contains no further definition of ‘suitable employment’ beyond that in s3 of the current Act. We note the CTU submission which states:

- In accordance with New Zealand’s obligations under ILO Convention 44 and given the importance of good quality employment the CTU recommends that the definition of ‘suitable employment’ in s 3 of the Social Security Act is amended to read “**suitable employment** in relation to a person, means employment that the chief executive is satisfied is suitable for the person to undertake for a number of hours a week determined by the chief executive having regard to the employment required to satisfy the work test for that person (*considering the person’s individual circumstances and whether the offer of employment is on terms and conditions no less favourable than those usually offered for the type of work in the region*).

[35] We also have grave reservations about the willingness of private providers (and WINZ staff) to ensure that the employment offered to sole parents is safe, appropriate, and recognises the needs of children. The low skills of many sole parent beneficiaries⁸ means they are limited in the type of work they can do, and often low-skilled service sector work has little or no flexibility (ie in the event children get sick), requires employees to be on-site even if they are not getting paid, and often involves working very early in the morning or late in the evening. How these labour market realities will operate with the requirement in this Bill for sole parents to send their children to early childhood education appears not to have been considered in the drafting of this Bill.

[36] **CPAG submits that the meaning of suitable employment be changed to read “suitable employment in relation to a person, means employment that the chief executive is satisfied is suitable for the person to undertake for a number of hours a week determined by the chief executive having regard to the employment required to satisfy the work test for that person *considering the person’s individual circumstances and the needs of their children and whether the offer of employment is on terms and conditions no less favourable than those usually offered for the type of work in the region.*”**

⁸ Ibid, fn6.

[37] **CPAG further submits that the clause allowing for sanctions against sole parents who refuse suitable employment be deleted as this risks harming already vulnerable children. Children should not be punished for the labour market status of their parents.**

Work assessments

[38] CPAG is alarmed at the proposed work ability assessments which appears to have been drafted without any consideration of the terrible consequences these have had for the sick and disabled in other jurisdictions, particularly the UK. Paul Gregg, who helped design the UK's Work Capability Assessment, has described it as 'a complete mess',⁹ and it has been suggested the system operates as a proxy quota system to move people off benefits.¹⁰ Even more alarming is the suggestion that this work might be done by an outside contractor:

- ...the [UK] Labour government's welfare changes...did not make a proper distinction between the unemployed and the sick. As a consequence, they have seriously eroded the protection of disabled people and those with limiting long-term illness... The WCA is not fit for purpose. It is a source of fear and deep anxiety for people who are mentally ill, parents of adult children with an autism spectrum condition, and literally hundreds of thousands of others with complex and intermittent illnesses who want to work but know that they cannot in the way expected of them by the government and employers. Medical expertise is not central to the functioning and decision-making of the WCA. It is a tick-box computer program that lacks the capacity to pick up complex illnesses and particularly mental health issues and autism spectrum conditions.¹¹

[39] CPAG has concerns about the lack of detail in this Bill with respect to the work assessment and its potential to seriously stress parents with illness and disability or who are caring for children with illness or disability.

[40] Again, we note that this extends to the partners and spouses of beneficiaries. We can see no justification for this.

[41] **CPAG submits that if work assessments are introduced they must be carried out by Work and Income or another government agency with no financial stake in moving people off benefits; they must be genuinely tied to assisting people to seek appropriate employment, and there must be an independent, easily accessible, speedy and robust appeal process with the power to make binding recommendations on Work and Income.**

⁹<http://www.guardian.co.uk/commentisfree/2011/mar/02/work-capability-assessment-anguish-disabled-people?INTCMP=SRCH>

¹⁰<http://www.guardian.co.uk/commentisfree/2011/jun/01/labour-mental-illness-coalition-cuts?INTCMP=SRCH>

¹¹ Ibid.

Drug testing

[42] CPAG has some misgivings about this Bill's proposal to drug test beneficiaries, chiefly because there is no evidence whatsoever that beneficiaries' drug consumption is any different from that of the general population, and in fact given the level of benefit payments, some reason to suspect it is less. Alcohol is far more likely to be consumed by beneficiaries than drugs, simply because it is more readily available and much cheaper, yet its addictive properties and harmful health effects are overlooked here.

[43] CPAG also notes the Ministry of Health's concerns about the effects of introducing sanctions for drug tests. We are especially concerned about the effects on children if parents are sanctioned, especially as there appears to be no commitment to improving access to drug and alcohol rehabilitation services or drug education. In effect, the use of economic sanctions punishes children for the sins of their parents.¹²

[44] **CPAG endorses the CTU submission that drug-testing only be introduced for safety-sensitive occupations (we agree that the current criteria are too loose), and that the first remedy for failing a drug test be counselling and rehabilitation. The proposal to use sanctions against sole parent beneficiaries should be removed.**

Social obligations

[45] CPAG is deeply concerned about the social obligations this Bill proposes for parents. As a general comment, these obligations, along with much else in this Bill, seem designed not so much to improve the wellbeing of families with children as to mark out beneficiaries as being less equal citizens.

[46] CPAG's main concern is the obligation for beneficiary parents to be enrolled in early childhood education from age 3 until they start school. The key, obvious problem is that the low-decile urban areas and small towns where many sole parents live are woefully undersupplied with early childhood education facilities, especially free, culturally appropriate centres.

[47] Typically in legislation such as the current Bill, much is made of the 'obligations' of parents receiving benefits, but there is almost never a corresponding obligation on the state to provide adequate support. This is the case here: there is no evidence that the government is prepared to ensure affordable (which in the majority of cases will mean free), culturally appropriate, quality early childhood care and education facilities within easy reach of people's homes (that is, a facility a parent with a pram can walk to). So long as the government remains committed to a competitive model of early childcare provision, the areas with the greatest need will continue to suffer from a lack of facilities.

¹² We note the Bill creates a perverse incentive for beneficiaries to claim they are addicted to or dependent on drugs, and that this would enable them to access support.

[48] Again, there is no obligation on those receiving other forms of government assistance to enrol their children in early childhood education. Singling out beneficiary households with children reinforces the stigmatising approach to welfare that is in this Bill and in other recent welfare reforms.

[49] *Unless and until this inequitable access to early childhood care is remedied this so-called obligation should not be passed into law. This is especially the case where it is proposed to impose financial sanctions on parents who are unable to meet this obligation.*

[50] **CPAG submits that the obligation for beneficiary parents to send their children to early childhood care and education from age 3 to when they start school be deleted altogether until such times as easy local access to quality, affordable and culturally appropriate early childhood care and education facilities is available for all parents with children.**