

CHiLD POVERTY ACTION GROUP

Child Poverty Action Group

Box 56-150

Mt Eden

Web address: www.cpag.org.nz

Welfare Working Group

welfareworkinggroup@vuw.ac.nz

Submission:

Long-term benefit dependency options paper

Child Poverty Action Group thanks the Welfare Working Group (WWG) for the opportunity to submit on the options paper. 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.

Along with other children's agencies, CPAG is concerned about the likely impacts on children of the options outlined in the Welfare Working Group's (WWG) paper.¹ The tone and direction of the options paper are clearly signalled in the very first line, which says: "This paper presents a range of options to reduce long-term benefit dependency." Yet the paper fails to present any evidence that 'long-term benefit dependency' is an issue on the scale the WWG presupposes. The paper is also devoid of any context within which the benefit system and recipients operate. The WWG has selectively cited submissions to defend its thesis of dependency and a lack of work ethic among beneficiaries while seeming to pay little attention to submissions and evidence that contradict this. There remains the unfortunate impression that the outcome of the WWG has been pre-determined. CPAG would like to record its disappointment that the WWG appears to have used the extensive consultations, and the opportunity they have provided to effect positive change, as a public relations exercise. We urge the WWG to listen to the all the submissions that have been made, especially those submitters whose members have a direct interest in the outcome of this process.

Contact:

Mike O'Brien, CPAG Social Security spokesperson

Director, Social Work and Social Policy programme, School of Health and Social Services, Massey University

09 4418161 (direct) 09 4439700 ext 9161

022 523 0146 (mob); 09 426-7788

Donna Wynd, CPAG researcher, tel. 021-2377-779

¹ See

http://www.occ.org.nz/_data/assets/pdf_file/0007/7873/CC_Welfarestatement.01122010.pdf.

Introduction

The Welfare Working Group (WWG) was set up by the government to undertake an “expansive and fundamental review of New Zealand’s welfare system”.² Specific questions for the review are:

- how long-term benefit dependence can be reduced and work outcomes improved, including for sole parents;
- how to promote opportunities and independence from benefit for disabled people and people with ill health;
- how welfare should be funded, and whether there are things that can be learned from the insurance industry and ACC in terms of managing Government’s forward liability;
- whether the structure of the benefit system and hardship assistance in particular is contributing to long term benefit dependency and what could be done to address this.

Excluded from the review are superannuation, income adequacy from welfare, the tax/benefit interface (ie Working for Families), and overlaps with ACC and the health system. All these areas provide context, and/or need to be addressed in any meaningful review of welfare. The WWG is left with a narrow focus on ‘dependency’, and a mandate to manage beneficiaries into paid work. This has necessarily reduced the range of options the WWG has been able to put forward, and minimised the links between social security on the one hand and other sectors such as the labour market on the other.

In contrast to the WWG’s limited terms of reference, the Alternative Welfare Working Group (AWWG) consciously chose to consider welfare holistically, and included in its considerations benefit adequacy and the tax/benefit interface. The result is a thoughtful and comprehensive report.³ The authors concede that welfare justice “has no support from government.”⁴ This is a sad reflection on the government’s lack of aspiration to improve the wellbeing of all New Zealanders. Nevertheless, CPAG believes this is an important report, and we commend it to the WWG for consideration as they draft their recommendations.

In September 2010 the University of Auckland also hosted a forum on welfare, and issues pertaining to sole parents and the wellbeing of benefit recipients. The evidence placed before this forum contrasts starkly with the WWG’s assumptions around beneficiaries and benefit administration, and CPAG suggests the proceedings from this

² <http://ips.ac.nz/WelfareWorkingGroup/Index.html>

³ Available <http://welfarejustice.org.nz/dox/Welfare%20Justice%20for%20All.pdf>.

⁴ Ibid, p. 7.

forum (forthcoming, December 2010) be read by the members of the WWG. Presentations are available on line.⁵

There is little disagreement that the benefit system is in need of reform. The benefit system has become unduly complex, with different criteria for assistance, differing abatement rates, and a complex interface with the tax system. While the benefit/tax interface has been left out of the WWG's terms of reference, it is impossible to talk sensibly about benefits without talking about tax. The tax/benefit interface is problematic and provides significant disincentives for beneficiaries to improve their financial situation. This interface has been made more complex with the recent passage of the Social Security (New Work Test, Incentives and Obligations) Amendment to the Social Security Act.

This submission is a response to the WWG options paper. It proceeds by outlining the principles that CPAG considers should underpin New Zealand's social security system, and then outlines the context within which it sits. CPAG has chosen this approach because the fundamental principles of inclusive social assistance act as a lens through which it is possible to consider the options set out in the paper. We have considered context because any consideration of welfare without reference to the wider economic and social context is meaningless, and because context highlights the lack of focus on children's needs in the paper. We then respond briefly to the options set out for people in receipt of the unemployment and domestic purposes benefit. These essentially set out our response to the rest of the options. We conclude with some thoughts on how the social assistance system might improve the wellbeing of social security recipients and their children.

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<http://www.business.auckland.ac.nz/Schoolhome/Research/Researchcentres/RetirementPolicyandResearchCentre/Events/2010ForumRethinkingwelfareforthe21stcentury/tabid/2313/Default.aspx>

Principles for social assistance

In 1972 the Royal Commission on Social Policy argued that benefits should be set at a level that supported participation and belonging. Although nearly 40 years old, CPAG submits this remains an important underlying principle – perhaps even more so now in light of New Zealand’s high level of socioeconomic inequality.⁶

The goals and objectives of the benefit system must be to assist people to avoid poverty in a world of increasingly precarious employment.⁷ For children, the goal must be to achieve a standard of living that enables them to be a part of their communities. Money alone cannot do this, but an adequate income to provide the basics, including housing, nutrition, and medical care, must be the primary aim.

CPAG **submits** that the benefit system needs an overhaul, and that this **must** include measures to ensure income adequacy for families with children, and to minimise and reduce socioeconomic inequality in New Zealand. Paid work alone cannot achieve this, nor has it ever done so.

1) For families with children, the benefit system must ensure income adequacy. All children are entitled to a standard of living that enables them to have access to decent housing, good quality food, clothing, medical care, and a good education – in other words, they must be able to participate in their communities and neighbourhoods. Consistent with the Bill of Rights Act and the Humans Rights Act, all children should be treated as equals, regardless of their parents’ work/marital or other status. Ideally, this would mean a universal child benefit that attached to the child, as New Zealand children once enjoyed. As an urgent short-term measure to address the absolute and relative poverty of the poorest families, and to provide immediate and targeted assistance to the children with the greatest need, CPAG supports the AWWG’s recommendation that the In-Work Tax Credit (IWTC) be rolled into the Family Tax Credit.

CPAG notes the options paper is concerned that assistance ‘goes to where it is needed’. The targeting of assistance has an intuitive appeal in that it appears to give the best value for money, and helps those in ‘genuine need’. There is,

⁶ See generally Segal, E. (2006). Welfare as we *should* know it: Social empathy and welfare reform. In K. Kilty & E. Segal (Eds.), *The promise of welfare reform: Political rhetoric and the reality of poverty in the twenty-first century*. New York: Haworth Press.

⁷ Department of Labour. (2004). *Report of Exploratory Case Study Research into Precarious Employment*. Wellington: Department of Labour. Available: <http://www.dol.govt.nz/pdfs/precarious-employment.pdf>; Frade, C., Darmon, I. (2005). New Modes of Business Organization and Precarious Employment: Towards the Recommodification of Labour?, *Journal of European Social Policy*, 15(21), 107-121. See also Kalleberg, A. (2009). Precarious Work, Insecure Workers: Employment Relations in Transition, *American Sociological Review*, 47(1), 1-22.

however, a real risk that those with the greatest need miss out, and New Zealand examples of this occurring include the Community Services Card⁸ and the IWTC.⁹ The poorly designed criteria and strict work hours required for receipt of the IWTC make it unsuitable for sole parents in an economic environment characterised by job losses and casual jobs with variable hours, There is a dearth of research and information on whether the IWTC has assisted those with the greatest need, and whether it has achieved the anticipated behavioural changes (see footnote 24). The OECD's Monika Queisser observed in her presentation to the WWG forum that those countries that enjoyed the lowest rates of child poverty are countries with a higher proportion of universally provided benefits and services.

2) The social security system must not exacerbate and entrench existing inequalities. The goal must be to minimise and decrease the gap between those on welfare and others in the community. This reduces the depth of poverty in the community and improves social cohesion.

Currently, key mechanisms within existing legislation for increasing inequality include the requirement to continually update medical certificates for sickness beneficiaries, sanctions for non-compliance with arbitrary work requirements, stringent benefit levels supplemented by difficult to access third-tier assistance, and high effective marginal tax rates that do not reward work effort. All these provisions operate to make obtaining and remaining on a benefit more difficult, or reduce benefit payments. The official rationale is that these provisions encourage people to work, whereas in reality they are barriers that serve to exclude people from both the labour market and benefit system. The proper function of social assistance is to avoid the creation and perpetuation of an underclass dependent on informal and/or socially unacceptable means to earn income.

3) A well-functioning social security system assists people to avoid poverty. This may entail more than just monetary payments. It may include ensuring access to health and education and training services, and decent affordable housing. This recognises that some people require additional assistance, often to deal with random, unforeseen "life events".¹⁰ A well-documented example is sole parents who suffer ill health: their medical and associated issues of stress often preclude

⁸ Ministry of Health. (undated). *Community Services Card Review Analysis of Alternative Targeting Mechanisms*. Wellington: Ministry of Health. Available [http://www.moh.govt.nz/moh.nsf/pagesmh/5531/\\$File/CSCReviewReport.pdf](http://www.moh.govt.nz/moh.nsf/pagesmh/5531/$File/CSCReviewReport.pdf). p. 4;

⁹ See results from "Growing Up in New Zealand" longitudinal survey: <http://www.growingup.co.nz/media/12254/growing%20up%20in%20new%20zealand%20before%20we%20are%20born%20nov%202010.pdf>.

¹⁰ Beynon, P., & Tucker, S. (2006). Ill Health, Disability, Benefit and Work: A Summary of Recent Research. *Social Policy Journal of New Zealand* (November 2006), 78-101.

finding and keeping paid work.¹¹ This principle recognises that paid work is not always possible or appropriate, and provides accordingly.

4) Social services, including cash assistance, must be integrated, with the goal of maximising wellbeing, whether recipients are able to move into paid work or not. This includes integration of services for parents and children, including quality affordable childcare and access to housing and safe, acceptable work. Focusing on punishing beneficiaries through one aspect of social provision – benefits – without addressing the range of other issues they may face is self-defeating. It is envisaged that Whanau Ora will provide cross-sectoral support for families, and CPAG endorses this whole of family approach. It is likely however, that Whanau Ora's focus on a parent's role as carer and protector¹² may result in them reducing their availability for paid work – a stance at odds with both the WWG and other government policies.

The cash assistance system must also be integrated with the tax system, and other social assistance payments such as the In-Work Tax Credit in order to minimise complexity for beneficiaries and those administering benefits and tax credits. This also helps minimise fraud, as greater complexity leaves more gaps to rot the system.

5) Social assistance must be funded collectively, through the state, to recognise the random occurrence of sickness, disability, sole parenthood, unemployment, and so forth. None of these is confined to any particular group, and no particular group should have to bear the burden they entail. Caring for the unlucky and vulnerable is communal recognition that any of us may need support at some time in our lives, and contributes to social cohesion, which is a social good in its own right.

New Zealand's system of social assistance has moved a long way from the universalist principles envisaged by the 1972 Royal Commission, and even further away from the idea that beneficiaries are part of the community, and entitled to the minimum standard of living this implies. It is clear the WWG envisages restructuring social provision in a manner that puts the risk for income security on individuals, within the context of a volatile, low-wage service economy. Cohesive societies do not seek to widen the gaps between those who have access to a basic standard of living and those who do not:

¹¹ Worth, H., & McMillan, K. (2004). Ill-Prepared for the Labour Market: Health Status in a Sample of Single Mothers on Welfare. *Social Policy Journal of New Zealand*, 21(March 2004); Baker, M., & Tippen, D. (2004). More Than Just Another Obstacle: Health, Domestic Purposes Beneficiaries, and the Transition to Paid Work. *Social Policy Journal of New Zealand*, March 2004(21), 98-120.

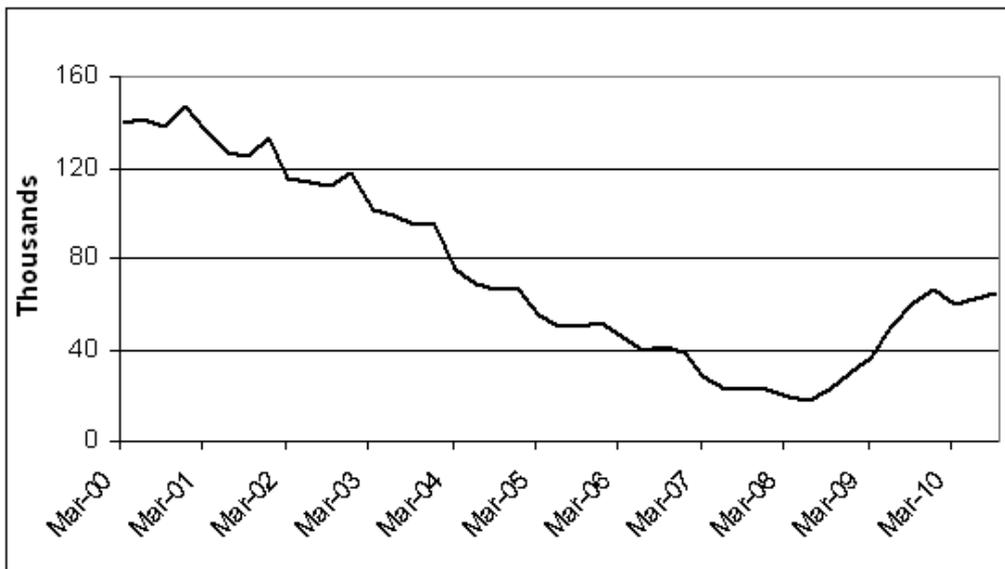
¹² Ministry of Health. (2010). *Government Welcomes Whanau Ora Report*. Available <http://www.moh.govt.nz/moh.nsf/indexmh/government-welcomes-whanau-ora-report?Open>.

rather they seek to include as many people as possible for the benefit of all. In an increasingly uncertain world, social inclusion, social cohesion, and the community resilience they imply must be the end goals of social assistance.

Context

The most obvious context for social assistance is the labour market. Figure 1 shows the numbers on an unemployment benefit from March 2000 to September 2010. The graph clearly shows the reduction in unemployment beneficiary numbers as the economy improved through the 2000s, to a low of 18,000 in late 2008. The onset of the recession is clearly seen with a sharp rise in unemployment beneficiary numbers since then. In other words the number of people on an unemployment benefit is a reflection of the state of the labour market. Sickness and Invalids beneficiaries are less sensitive to labour market conditions for obvious reasons, although domestic purposes beneficiary numbers are (see below).

Figure 1: Number on unemployment benefit March 2000-September 2010-12-15



Source: Ministry of Social Development

The WWG appears to have paid little attention to the spatial concentration of unemployment. In recent weeks New Zealand has seen the closure of a coalmine due to the Pike River catastrophe, and the loss of 120 jobs as the result of an industrial fire in Te Aroha, and the closure of sawmills in Kawerau, Tangiwai, and Gisborne (all areas with existing high unemployment). Te Aroha also suffered the closure of a large factory some years ago. Clearly location will continue to be a factor in people's ability to find paid work. Nationally, unemployment is concentrated in Northland, eastern Waikato and

Bay of Plenty, and Poverty Bay. Arguing that the families of the Pike River miners or Te Aroha's former freezing workers, or other economically depressed towns need incentives to find jobs because they are 'dependent' or lack motivation is grossly unfair and highlights the ideological basis of the options set out in the WWG's paper

The options paper notes the positive effects of the so-called Jobs Jolt (p. 41) to bolster its case for a greater work focus within the benefit system. Anecdotal evidence suggests it also had the unintended effect of tying young people to a geographic labour market. This is because they knew that if things didn't work out elsewhere they did not have the option of returning home, so they did not leave, intensifying unemployment in the local labour market. Conversations with Auckland social workers during the mid 2000s, a time when the economy was growing, also revealed families in Auckland living in cars because they did not have the option of receiving a benefit in their home town, even though housing costs would be cheaper, and the family would have been better off overall. This is not an acceptable policy outcome for children.

In its assessment of Future Focus, the Ministry of Social Development (MSD) explicitly noted that the key assumptions underlying its analysis of the legislation were that "the economy recovers and that the implementation of the work-test can be matched to the employment capacity in local labour markets."¹³

CPAG is also concerned that there appears to have been little modelling of the outcomes of the WWG's proposals. With respect to the changes outlined in the Future Focus legislation, MSD observed: "There is no research currently available which accurately quantifies the size of the behavioural response from these changes in policies (constant renewal of medical certificates, work testing for sole parents). This prevents estimates, with the degree of accuracy required, from being made of the number of people who will move from benefit to work over a year, as a result of the proposed changes." CPAG wonders if the WWG has any better idea of the behavioural changes it expects as a result of the changes it is proposing.

The Future Focus cabinet papers also offer some helpful insight as to the expected outcome of the WWG's proposals for work-testing sickness beneficiaries. In *Paper C - Future Focus: Tightening Access and Active Assessment* the Minister states: "It should be noted however that [Sickness Beneficiaries] are likely to have acute conditions..." (p. 8). "Acute conditions" suggests that people are on Sickness Benefits *because they are unable to work because they have medical conditions that prevent them from doing so*. This suggests the outcome of policies that aim to move people on Sickness and Invalids benefits into work may not be that expected.

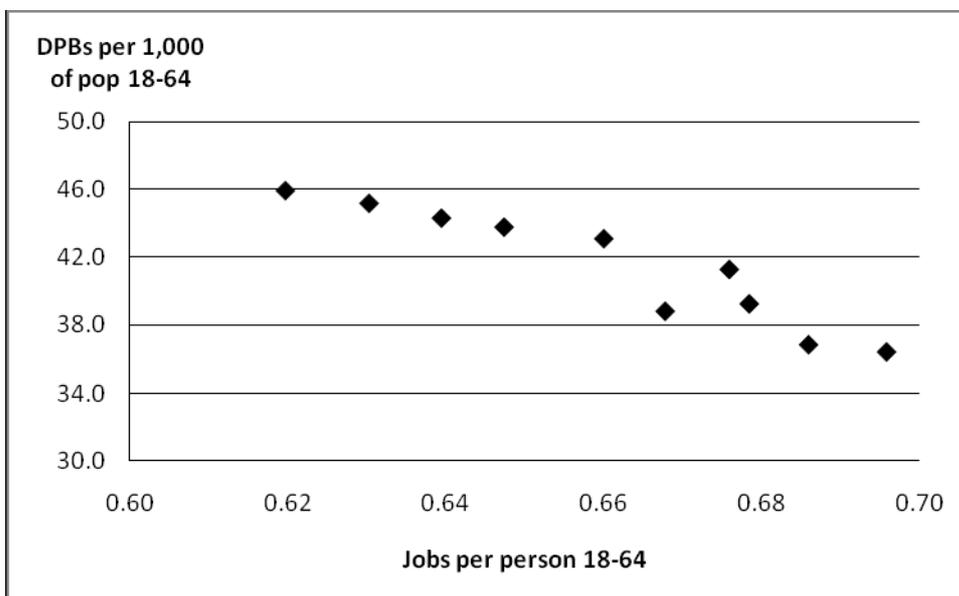
Sole parent employment is sensitive to fluctuations in the labour market. An analysis of sole parent numbers as a proportion of the population aged 18-64 since 2000 shows the proportion of DPBs within the population has fallen since 2000, from 46 per 1,000 to a

¹³ Ministry of Social Development. (2010). *Future Focus Changes to the Welfare System: Regulatory Impact Statement* Wellington: Ministry of Social Development, p. 1. Available <http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/regulatory-impact-statements/future-focus.html>.

low of 36 per 1,000 in 2008, creeping up to 38 per 1,000 in 2009. This means the proportion of sole parents on a benefit within the population is falling. This suggests the crisis of 'dependency' described by the WWG is not a crisis at all. Rather, the increase in sole parent beneficiaries in recent months reflects a crisis of unemployment, a crisis that continues to affect many others besides sole parents.

Figure 2 shows the relationship between the number of filled jobs in New Zealand per person of working age (18-64), and the number of DPBs per 1,000 of the population aged 18-64 for the years 2000-2009. The figure of DPBs per 1,000 of the population aged 18-64 has been used because raw benefit numbers do not account for changes in the total population. In general we would expect the number of DPBs to rise as the population increased, as it has done since 2000. The filled jobs per person figure accounts for population increases and changes within the workplace. This figure is remarkably stable over time, however there is variability, ranging from a low of 0.62 in 2000 as the economy was still emerging from the 1998 recession, through to a high of 0.70 in 2008, with a rapid decline to 0.67 in 2009. The fall from 0.70 to 0.67 in the 12 months to June 2009 represents the biggest year-on-year change since the data series began in 2000. This fall in the number of jobs in the economy is reflected in both the numbers on unemployment and domestic purposes benefits.

Figure 2: Relationship between filled jobs per 1,000 people in working-aged population and DPBs per 1,000 in working-aged population, 2000-2009.



Source: Compiled by CPAG with data from Ministry of Social Development and Statistics New Zealand (Population Estimates and Linked Employer-Employee Data).

The correlation between the two sets of data is an astonishing -0.9, that is most of the difference in DPB numbers per 1,000 of the working age population at any point in time can be explained by the number of jobs in the economy at that time. The more filled jobs, the less the proportion of DPBs in the population. This suggests that, rather than needing 'incentives' to enter the workforce, sole parent employment is in fact highly

sensitive to labour market conditions. This **must** be acknowledged as part of any changes to parents' ability to access income support, including the rather alarming proposal to time limit benefits and/or introduce contributory schemes.

CPAG also notes the increasing presence of young people on a Sickness or Invalids Benefit.¹⁴ While we would expect the number of SBs and IBs to increase as the population ages, preliminary research by CPAG argues that the generation who suffered most in the early 1990s recession with the benefit cuts and consequent poor nutrition and overcrowded housing now makes up the fastest growing group on SBs and IBs. This is most likely due to the long-term effects of poverty, especially respiratory illnesses which leave victims unable to work for the rest of their lives.¹⁵ CPAG **submits** that proposed changes must not place children at such a disadvantage that they run the risk of becoming the next generation of beneficiaries before they have even had a chance to develop. This is especially in light of the two-tiered system that would be the practical outcome of the WWG's options. A system whereby somebody in a disadvantaged group is unable to contribute to his or her own insurance thus forming a lower tier, and where his/her children in turn become the next victims of that socio-economic inequality should not be tolerated in a wealthy country such as New Zealand.

Employers also form an important part of the employment and social assistance context. While the options paper argues that employers must play their part this is mostly in the context of workplace health and safety. Health and safety are important, and are largely covered by legislation. Despite this New Zealand has one of the highest rates of workplace deaths and accidents in the OECD.¹⁶ To ensure people do not need to go onto Accident Compensation and thence onto a benefit, employers must play their part in helping to maintain a healthy workforce.

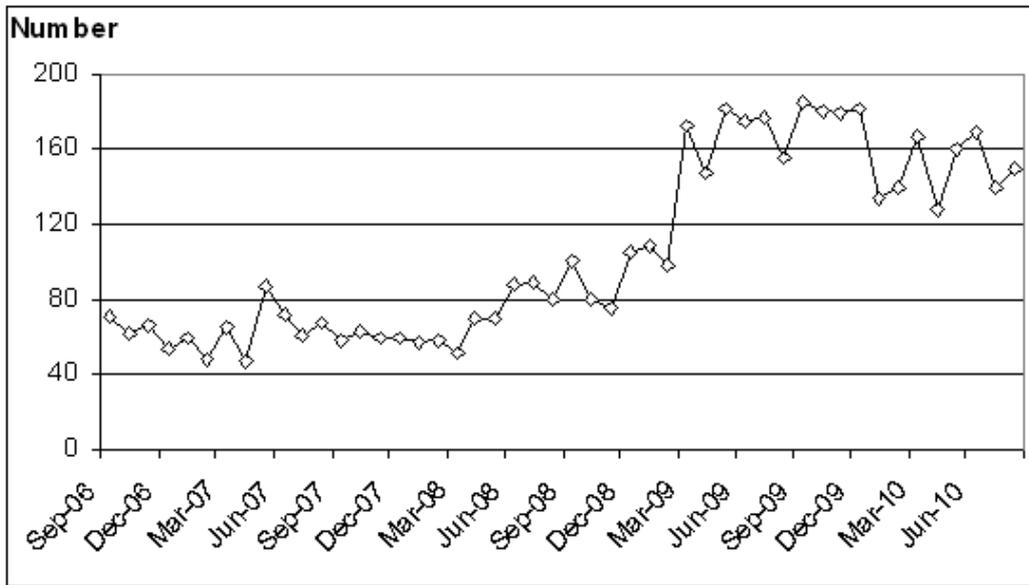
Figures released by the Ministry of Social Development to the Green Party show there has been a dramatic increase in the number of Accident Compensation clients being moved off ACC and into the benefit system since ACC tightened up eligibility for compensation in 2009 (Figure 3). Between September 2006 and February 2009 the average number of benefit applicants listing ACC compensation as pre-benefit income was 71 per month. Since March 2009 this has more than doubled to 162 per month. Over time this will have a marked effect on the number of beneficiaries, and has implications for the worktesting of Sickness And Invalids beneficiaries.

¹⁴ The OECD notes New Zealand's rate for older people (50-64-years) on a disability benefit was among the lowest in OECD but we have the fifth-highest rate for young adults aged 20-34. <http://www.stuff.co.nz/dominion-post/news/4389217/NZ-below-OECD-benefit-average>.

¹⁵ See <http://www.stuff.co.nz/auckland/4468994/Child-health-at-risk> for the results of recent research on this.

¹⁶ www.ilo.org

Figure 3: Working age benefit applicants listing ACC weekly compensation as pre-benefit income



Source: Ministry of Social Development

The spouses of those killed in the workplace may in certain circumstances therefore find themselves in receipt of social security through no fault of their own. Not only do they have to deal with the loss of a spouse and emotional support, they also lose any IWTC they may have been receiving, and, under the framework set out in this paper, become subject to a regime that sees them as demotivated and dependent. As the consultation for this options paper is taking place, 29 West Coast families have lost family income, and other families will lose their jobs as the mining company shuts down operations. Who will tell those families their benefits will be reduced after a year in order to motivate them to find work?

The paper cites a submission from Federated Farmers that alleges hiring beneficiaries is “risky” – so much so that farmers need to “resort to migrant labour”. Herein is a key problem faced by beneficiaries, and that is employer discrimination. The WWG notes a number of times the fact that the longer a person is on a benefit, the greater the chances they will stay on a benefit for an extended period of time. This is because, as the Federated Farmers submission illustrates, there is the perception that because someone has been a beneficiary for an undefined period of time, they are assumed to lack motivation. Other risks identified by Federated Farmers include “criminal records and social problems” (p. 118). This highlights the spatial aspect of benefit receipt sketched above: potential farm workers are more likely than not to live in rural towns with high levels of unemployment, for example the eastern Bay of Plenty, and are therefore more likely to have been out of work for long periods of time. This does not reflect a lack of motivation; it reflects spatially concentrated, entrenched, long-term unemployment that must be addressed through the concerted efforts of central and local government, the community, and employers.

The Disabled Person's Assembly also notes that the single biggest barrier faced by disabled persons in finding work is employer discrimination. The AWWG report states: "Disabled people who came to the Welfare Justice alternative working group meetings regularly spoke of a staggeringly large lack of understanding of disability and dealings rooted in disrespect [and] a more than usually hostile employment environment."¹⁷

This intersects with the types of jobs increasingly available in the New Zealand labour market. The proportion of standard – ie well-paid and stable – jobs in the economy has been declining since the mid-1980s. They have been largely replaced by low-paid, casual, entry-level jobs. The options paper notes employers complaining they have trouble filling entry-level jobs although the paper concedes "this problem was less pronounced during the recession" (p. 2). Interestingly, it is this low-paid, economically undervalued group that has formed the bulk of those migrating to Australia to take advantage of better pay and better children's support payments. It is difficult to see how putting downward pressure on wages by harassing people off benefits into casualised work will reverse this trend. It is also unlikely to lead to improved outcomes for children.

The options paper talks about the role of employers and, but employers lobby groups have traditionally not supported the idea that employers have a role in training and development of the labour force, preferring instead to hand the responsibility (and cost) to central government. The fact that farmers and horticulturalists preferred to lobby to bring in unskilled labour rather than employ and train local labour suggests they have little interest in developing the local labour force.¹⁸ Employers must play their part in reducing unemployment. This cannot be the burden of welfare recipients alone.

We now consider the options put forward in respect of unemployment beneficiaries and sole parent beneficiaries.

1. What changes could New Zealand make to the structure of the benefit system to improve the focus on early intervention to reduce long-term dependency?

Option 1: Enhanced status quo.

Option 2: Social insurance in full or part.

¹⁷ AWWG report, p. 97.

¹⁸ See Final Evaluation Report of the Recognised Seasonal Employer Policy, available <http://dol.govt.nz/publications/research/rse-evaluation-final-report/final-06.asp>.

Option 3: Incorporating some insurance based investment strategies into New Zealand's benefit system.

CPAG **submits** that the assumption underlying this option, that is that long-term dependency is a serious problem within the social assistance system, has no evidential basis. CPAG further **submits** that the WWG's focus on wellbeing through paid work undermines the important (unpaid) parenting and other caring that takes place in our communities every day. While the options paper states this emphasis on paid work is justified by the feedback it has received, CPAG is disappointed that the submissions noting the value of unpaid work have been ignored.

In her presentation to the WWG forum Monika Queisser observed that New Zealand's social spending, including welfare, was below the OECD average. She noted the percentage of those on an incapacity benefit was below the OECD average, but rising (as would be expected in an ageing population), but that New Zealand's universal social assistance was relatively cheap (hence our low overall expenditure). She further noted that low-paid work will not reduce poverty rates among sole parents; that getting sole parents into paid work required investment in additional support; and that existing high effective marginal tax rates are a deterrent to sole parent employment. Importantly, she also stated that there were lessons to be learned from the universality, simplicity and effectiveness of New Zealand superannuation. While she noted New Zealand's sole parent employment rate is well below the OECD average, she also noted that spending on support for sole parents is also below average.¹⁹

CPAG **submits** that changes to social assistance must aim to effectively reduce child poverty through a package that simplifies the existing system, and we **endorse** the Alternative Welfare Working Group's recommendation that the focus must be on wellbeing, which may or may not include paid work for parents and children.

While it is arguable that the benefit system has not kept up with demographic and social changes, the WWG has not addressed the key issue, which is the unit of entitlement. Unlike tax and ACC entitlements, social assistance payments are paid on the basis of joint income, and this is inequitable for families dependent on benefit income. CPAG **submits** that the unit of entitlement be set as the individual across the tax/benefit system and ACC. With respect to the Domestic Purposes Benefit the CPAG **submits** that consideration be given to the Australian system where payment to the parent can be taken into new relationships.

In general CPAG **supports** investment in social assistance recipients to help them find *and retain* paid work. We stress this does not mean we endorse the WWG's exclusive focus on work first. The evidence shows that beneficiaries will return to work when they are able, and work is available. Some require additional assistance, and this may include helping with access to training, childcare, transport expenses, or work-related expenses. For sole parents work must be compatible with their circumstances, appropriate, and

¹⁹ See also OECD. (2009). *Doing Better for Children*. Paris: OECD.

safe. Disabled persons are often in the situation of wanting to work but are faced with employer discrimination. CPAG supports additional assistance to Sickness and Invalids beneficiaries in such cases.

Making receipt of benefits more difficult or time-limiting benefits will be counter-productive in the long term. Poor health is a major contributor to being on a benefit, as would be expected given that two of the four main benefit types are for the sick and/or disabled. New Zealand research has also shown the debilitating effects of poor health on sole parents.²⁰ Poor health and low income sets up a self-perpetuating cycle that can be very difficult to break. Where poor health is a factor in long-term benefit receipt, CPAG **submits** that specific policies and processes need to be put in place to deal with these (for example substance addiction treatment).

CPAG **does not support** the option of an insurance-based system. Insurance-based systems are fiscally expensive, and also impose additional costs on employers. Moving to a more expensive insurance-based system in order to maintain and entrench existing social and economic inequalities cannot be supported on economic or ethical grounds. Moreover, such a system would have to work within the context of the existing ACC. Although not stated explicitly, CPAG presumes that the insurance proposed in the options paper is private, whereas ACC is social insurance based on the principle of collective risk. Yet even this has been able to be manipulated, with many ACC recipients being deemed 'work ready' and moved off their rightful entitlements and into the public social assistance system (Figure 3). Workers and employers have faced considerably higher costs as the ACC system has been moved to a fully funded model. Any move to a private insurance model – by definition also fully funded – would increase costs even more, and require government subsidies. There is, however, no discussion of whether such a model would be 'sustainable' or improve outcomes for vulnerable families.

CPAG also notes the unqualified disaster that has been the outcome for many unemployed and their families under Canada's employment insurance scheme. These poor outcomes have been exacerbated by Canada's increasingly precarious employment environment, which makes it more difficult to qualify for unemployment insurance in the first instance, and where payments are much lower for low-paid casual workers. This labour force division is also highly gendered and racialised. Overall, the protection offered to Canadian workers under their insurance scheme has plummeted since the early 1990s, meanwhile the government remains the unemployment benefit funder of last resort.²¹ This system has done nothing to alleviate unemployment in Canada: presently it stands at 8%, well above that of New Zealand,

²⁰ Baker, M, and D Tippen. 2004. More than just another obstacle: Health, domestic purposes beneficiaries, and the transition to paid work. *Social Policy Journal of New Zealand* March 2004 (21):98-120.

²¹ Stanford, J., & Vosko, L. (Eds.). (2004). *Challenging the Market: The Struggle to Regulate Work and Income*. Montreal: McGill-Queens University Press, pp. 218-222. See also Stanford, J., (2010). *Beware the Insurance Model: Cautionary Tales from Canada's Unemployment Plan*. Available <http://www.business.auckland.ac.nz/LinkClick.aspx?fileticket=ZEA83SGW4cU%3D&tabid=2137>.

and 18th of 33 OECD countries.²² Only 1 in 2 unemployed workers received employment insurance benefits at the height of the recession, and benefit levels remained so low that families required another income in order to lift themselves out of poverty.²³ Canada has one of the highest levels of child income inequality in the OECD, better only than Spain, Portugal and Greece. Ironically, it is Canadian research which shows that childhood poverty doubles the risk of death by age 55.²⁴

CPAG **does not support** the option of a guaranteed minimum income as set out in the paper. Nor does it support the assumption that enhancing the status quo simply means increasing work expectations. As the law presently stands there are already work tests for all categories of benefits and CPAG **submits** the outcome of these tests must be properly monitored and evaluated before they are extended.

2. Options for people on an unemployment benefit

Figure 1 shows the number of people on receiving an unemployment benefit from March 2000 to September 2010. This graph suggests that there is no underlying problem of benefit dependency, and it clearly shows that as the economy picked up during the 2000s the numbers on an unemployment benefit accordingly fell. The upswing in beneficiary numbers observed from late 2008 coincides with the onset of the recession, and also reflects the pattern seen in DPB recipients. The increase in unemployment beneficiaries with the onset of the recession shows that the social security system is doing what it was put in place to do, and that is to provide assistance for those who are out of work. Given this, the emphasis on dependency appears to be without foundation, while the parallel emphasis on moving beneficiaries into paid work appears punitive.

CPAG is also concerned that these options are being seriously proposed at the same time the Treasury has announced that the economy will be running “below potential” for the next five years.²⁵ This means that Treasury expects unemployment to remain high for a further five years, a stand that directly contradicts its forecast reproduced on p. 28 of the options paper, and the WWG’s assumption that the economy is about to enter ‘a new growth cycle’. While CPAG **supports** the provision of additional support to the long-term unemployed, this must be provided with the acknowledgement that economic

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http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPSep10qtr.aspx.

²³ Calculations by Toby Sanger (2010), Canadian Union of Public Employees based on data from Labour Force Survey Historical Review. See <http://www.campaign2000.ca/reportCards/national/2010EnglishC2000NationalReportCard.pdf>

²⁴ Larson, C., (2007), ‘Poverty during Pregnancy: Its effects on child health outcomes’, *Paediatric Child Health*, Vol. 12, No. 8.

²⁵ <http://business.scoop.co.nz/2010/12/14/economy-to-run-%E2%80%9Cbelow-potential%E2%80%9D-for-next-5-years-treasury/>.

underdevelopment is at the heart of much of New Zealand's high regional unemployment. While the paper has "local development" as an option, the option is vague and appears to involve little more than reporting and measuring. Audit is not a substitute for real economic development, and the New Zealand experience of the previous generation has been one of leaving economic development to 'the market', rather active intervention. As the options outlined in the paper stand, they appear to amount to little more than punishment of the unemployed for structural factors that are beyond their control.

CPAG **supports** the option to provide intensive, cross-sectoral services to assist former prisoners to reintegrate, although this may or may not involve paid work (ie for parents it may involve wrap-around assistance including housing and childcare).

3. Sole parents on a benefit

It is disappointing and alarming that after the many submissions it has received, including the feedback from the WWG forum, that the WWG sees no role for parents other than paid work, while someone else gets paid to care for their children, or the children are unsupervised.²⁶ Sole parent employment is highly sensitive to changes in the labour market, and the comments above on the likelihood of continued high unemployment in New Zealand pertain to an even greater extent for sole parents. Data from the Ministry of Social Development shows that most sole parents enter paid work when they are able, but this is not always possible. It is unlikely that a greater emphasis on work with sanctions will change the behaviour of the parent of a disabled child. On the contrary, there is a great deal of evidence from the US that such systems may result in people dropping out of the system altogether, an outcome that does not enhance the wellbeing of children.

The options paper shows little evidence that the authors recognise what it means to bring up a child aged three years or under. The first three years of a child's life are crucial in laying the foundation for what will come later, including foundations for future educational achievement and successful social relationships. CPAG **does not support pressuring parents into the paid work when their children are very young or need ongoing care.**

There is evidence that some sole parents who go onto a benefit young can spend long periods of time on a benefit. These are usually young, unsupported parents. This group comprises a very small proportion of sole parents on a benefit, and they often have

²⁶ Ministry of Social Development. (2006). *Youth Gangs in Counties Manukau*. Wellington: Ministry of Social Development; Office of the Children's Commissioner. (2010). *Preventing Child Neglect in New Zealand*. Wellington: Office of the Children's Commissioner.

multiple disadvantages, for example low educational attainment, disrupted family situations, and no assets. Teen parenting units have shown that focusing on these young parents and their children can achieve remarkable results, although this intensive mentoring and training is expensive (as are all programmes that have been shown to successfully re-engage disadvantaged social assistance recipients). CPAG **endorses** greater support for disadvantaged sole parent beneficiaries, with the important qualification that the focus must be on the wellbeing of children.

CPAG **submits** that any greater focus on moving sole parents into paid work **must** be accompanied by greater spending on the provision of affordable, easily accessible (eg local), high quality childcare. At present the government is moving in the other direction, and while this is the case CPAG rejects options requiring parents to move into work or face sanctions. CPAG **does not support** moving sole parents onto the student allowance when they are in education or training. This is a lesser payment, and is means tested on parents' incomes up to the age of 25, and thus clearly unsuitable for those who are parents themselves.

CPAG is concerned that the WWG appears to believe that identifying 'at-risk parents' can be achieved with scientific certainty. CPAG **submits** that this process is unlikely to involve little besides stereotyping, and that this approach must be abandoned, with the focus instead being on wellbeing. In part this is because all sole parent beneficiaries are at risk simply because benefit levels are so low, supplementary assistance is mean and difficult to access, and, as the Alternative Welfare Working Group's report shows,²⁷ administration of benefits is increasingly capricious. Similarly, CPAG **does not support** patronising DPBs through budgeting advice and income management. This level of nanny statism would not be tolerated in any other sector of the population, nor should it be tolerated for social assistance recipients.

CPAG strongly **submits** that the unemployment benefit is inappropriate for sole parents. **Caring for children is work, and the social security system must recognise this. Raising a child is not equivalent to being single and unemployed.**

In general CPAG **supports** improved access to childcare for all sole parents. However, this must be done for reasons of children's wellbeing, rather than as a means to force parents into inappropriate paid work. CPAG also **submits** that an insurance model is inappropriate for sole parents, and has clearly been proposed with little thought as to its implications for children. One only has to look at the problems with limited term unemployment insurance presently being experienced by millions of families in the US to see this model is unsuitable. In the US one in four children is now dependent on food stamps, with many having no cash income.²⁸

²⁷ Welfare Justice: The Alternative Welfare Working Group (2010) *Welfare Justice in New Zealand: What we Heard*. The Alternative Welfare Working Group, <http://alternativewelfareworkinggroup.org.nz>.

²⁸ See <http://www.globalresearch.ca/index.php?context=va&aid=16853>.

Other groups

The remainder of the options paper continues in much the same manner as the chapters on unemployment beneficiaries and sole parents, and accordingly CPAG's submissions would be in a similar vein, so will not be repeated. CPAG would like to note that the time frame to consider all the options in depth and make a considered submission has been inadequate, especially as most groups with a direct interest in the outcome of this review have limited resources. There is some useful suggestions contained in the report, and we have picked up most of these. Unfortunately the options paper has misinterpreted data or unquestioningly cited findings that perhaps deserve greater scrutiny, for example the Ministry of Social Development's use of the difference-in-difference approach to support the introduction of the In-Work Tax Credit.²⁹ This, along with the paper's overall direction, minimises the impact of the more useful options.

CPAG remains open to meeting with the WWG to discuss any of these issues.

Concluding comments

Reforming social assistance to better assist families avoid poverty, enable them to participate meaningfully in their communities, and reduce stigmatisation will take time and political commitment. Sadly, the latter has been lacking for many years now. The government's relentless focus on work has not been matched by a relentless focus on job creation – rather in the last two years we have witnessed yet another round of job destruction within the economy, with no credible plan as yet put forward to replace those jobs that have been lost.³⁰ CPAG therefore remains deeply concerned that the WWG continues to assert that work unambiguously improves 'outcomes' for parents and children.

Although we can find no mention of this in the options paper, CPAG would like to make one final **submission**, and that is that where possible, beneficiaries be encouraged to save – perhaps through a partnership with Kiwibank – in order to begin to accumulate savings that can help in emergencies, or enable people to make purchases without resorting to loans. Beneficiaries having savings is at odds with the present system of income and asset testing, and is certainly at odds with any of the punitive options

²⁹ For a critique of this see Dale, M., Wynd, D., St John, S., & O'Brien, M. (2010). *What Work Counts? Work Incentives and Sole Parent Families*. Auckland: Child Poverty Action Group (Inc), pp 23-26; St John, S. (2006). New Zealand's Financial Assistance for Poor Children: Are Work Incentives the Answer? *European Journal of Social Security*, 8(3), 299-316; St John, S., & Dale, M. C. (2009). Is the In-Work Tax Credit a Good Model for an In Work Benefit? *European Journal of Social Security*, 12(3).

³⁰ See http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/employment_and_unemployment/LEED_HOTPSep09qtr.aspx for the extent of job losses in the last two years.

outlined in the paper, but having savings gives people a stake – however small – in the wider community. CPAG argues that, in the end, this is better for families and the communities in which they live.

Our last comment is really one that CPAG and others have made throughout the consultation process, and that is that parenting is work. Children all deserve to be nurtured to give them the best start in life. Whether their parents work or not, whether they are on their own or in relationships is of little import to children. What matters is that someone is there to give them the time and nourishment – physical and emotional – they need to grow into functioning, thinking, compassionate citizens. The role of social assistance is to facilitate this. The vision set out in the WWG's options paper is one far removed from this ideal.