



Welfare Justice
The Alternative Welfare Working Group

Welfare Justice for All

Reflections and recommendations:
A contribution to the welfare reform debate

December 2010



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WELFARE JUSTICE – The Alternative Welfare Working Group

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Contents

Foreword	7
Executive Summary	8
Chapter 1: Introduction	14
Chapter 2: Values and Vision.....	19
Chapter 3: Historical Overview.....	27
Chapter 4: Language and Definitions	38
Chapter 5: Work and Income: the Current Welfare System in Practice.....	53
Chapter 6: Integrated Social Security	66
Chapter 7: Work and Paid Employment	79
Chapter 8: Disability.....	94
Chapter 9: The Welfare State and Ethical Māori Citizen(ries)	104
Chapter 10: Families and Poverty	121
Chapter 11: Can We Afford Our Social Welfare System?	138
Chapter 12: Welfare: Alternatives and Solutions	149
Chapter 13: Concluding reflections	158
Appendix I: Welfare Working Group of Reference.....	160
Appendix II: Commissioning document: Alternative Welfare Working Group.....	162

Foreword

“Ka eke i te wiwi, ka eke i te wawa, ka eke i te papara huai rangi tumu hui e, e ka eke, e ka eke.”

“Ka ekengia nga patu me nga taiapa kei mua i a matou e te Atua aroha pena ko koe kei mua hei arahi i a matou.”

The first sentence uses the words of a Māori tribal dance of protest by daring to prepare for an assault on an impregnable barricaded “castle.” The second sentence adds our faith and hope for a way forward, achievable with God in front, leading.

The first Welfare Justice report, titled *“Welfare Justice in New Zealand: What We Heard”* was presented by Church leaders at a meeting with the Prime Minister and Deputy Prime Minister. The Prime Minister received it and responded with a three-word question, “Is welfare sustainable?” and a one-word reply, “No!” This clearly indicated that our welfare justice approach has no support from Government.

This second report will now enable the same writers to offer their collective wisdom by way of commentaries and analysis on “What We Heard”. The writers have continued to respectfully capture the real sufferings of the powerless and the vulnerable as the cries of the people and decisions made for them against a background of constantly changing policies, under their principle of, “Nothing about us without us”.

The Church is not jockeying for power, but seeks welfare justice that reconciles political secular power and business idolatry.

I am pleased to offer this report for all New Zealanders to read because it will make a difference to the kind of life we all wish to share in this land Aotearoa, the place of unending light.

Pīhopa Muru Walters

WELFARE JUSTICE FOR ALL: EXECUTIVE SUMMARY

Chapter 1: Introduction

- **Welfare Justice: the Alternative Welfare Working Group** was established out of a common concern in the community sector that Welfare Working Group (WWG) was limited by narrow terms of reference, a punitive approach to welfare, exclusion of significant matters such as benefit adequacy, and a non-consultative style.
- Since July, **Welfare Justice** has organised public meetings and received submissions, in addition to undertaking its own research and reflection.
- **Welfare Justice** agrees about the need for a “fundamental review” of the welfare system. However, “dependency” is not the right starting point for the debate.
- Key themes to emerge through the work of **Welfare Justice** include:
 - The well-being of beneficiaries must be at the centre of the welfare debate;
 - The Treaty of Waitangi needs to be incorporated into social security provision
 - Paid work matters, but it is not the only form of work;
 - Full employment and adequately paid work are fundamental to welfare policy;
 - Welfare benefits are too low and creating unnecessary levels of poverty, especially for children;
 - Beneficiaries should be treated with respect and dignity;
 - Significant changes are needed to service delivery at Work and Income;
 - Some beneficiaries will require sustained and holistic assistance to effect change in their lives and the lives of their whānau.
- Welfare reform should be based on the relentless pursuit of wellbeing.

Chapter 2: Values and Vision

- The provision of social security reflects values of interdependence, social cohesiveness and the common good.
- New Zealand’s welfare system is no longer focused on the adequacy of benefits and opportunities for participation in society, but is now dominated by a punitive stigma and a narrow focus on paid work.
- The principles outlined in the WWG Issues Paper are inadequate.
- Social security:
 - requires investment in the well-being of all members of society;
 - ought to properly reflect Māori aspirations for full citizenship and rangatiratanga;
 - ought to protect the vulnerable from adverse conditions;
 - ought to be financed by general taxation rather than by individual contributions;

- should encourage opportunity for all citizens to participate in our society;
- ought to facilitate the achievement of paid employment, as well as other beneficial types of work;
- should provide an adequate standard of living.
- Social security law should be simple, transparent, consistent and consistently applied.
- A comprehensive social security system should be linked with good economic, employment, housing, health, education and social service policies.

Chapter 3: Historical overview

- Reviewing New Zealand's welfare system requires a historic understanding of social security provision, including Māori perspectives.
- Māori values and customary laws have often been ignored. Any systemic welfare reform must incorporate Māori values including mana/manaakitanga, utu and whānau/whanaunatanga.
- Early settler approaches to welfare were influenced by a determination to escape from the British framework of the Poor Laws, including the workhouse system and distinctions between "deserving" and "undeserving" poor.
- Church-based intervention and family-based aid were insufficient to cope in economic depressions from 1870 onwards.
- Watershed moments in the development of New Zealand's welfare system include the Old Age Pensions Act 1898; Social Security Act 1938; 1972 Royal Commission on Social Security; 1991 benefit cuts and tax credits; 2004 Working for Families.
- Since the 1980s, there have been growing attacks on beneficiaries as "dependants" and a focus on "benefit dependency"; which ignore the wide range of ways in which our society provides various forms of government support throughout our lifetime.

Chapter 4: Language and definitions

- Terms as used by all sides of welfare reform debates reveal critical information about the intentions and ideas behind law and policies.
- From the 1930s to the 1970s, key concepts included participation, community responsibility and need.
- During the 1980s and 1990s, welfare as a means of ensuring basic survival replaced broader communitarian goals: terms such as "participation", "belonging", and "general welfare" were increasingly replaced with terms such as "essentials", "sufficient assistance" and "genuine need".
- In the early 2000s, "social development" included concepts of participation, but also an intensified focus on paid employment as key to achieving social inclusion
- In 2007 concepts of participation and welfare were removed from principles in social security legislation.

- Currently there is a strong focus on “individual responsibility”, with limited attention to the ways in which we are interdependent and linked together in a society.

Chapter 5: The current welfare system in practice

- Many of the problems of the welfare system emerge where law, regulations and policy are translated into the lives of ordinary people.
- Urgent reform is required in:
 - critical issues deriving from policy directives such as benefit levels;
 - Work and Income office culture and management systems;
 - inconsistencies between welfare law and its application by Work and Income.
- Benefit rates which are simply too low to live on are a major contributor to rising debt; foodbank use; and to health, employment and educational disparities.
- Members of Welfare Justice heard repeatedly of intense feelings of anger and despair by many of the people who deal with Work and Income on a regular basis.

Chapter 6: Integrated social security

- Social security in New Zealand has been built on five planks: full employment, accessible education, affordable housing, quality healthcare and adequate income. Social welfare is only one part of the overall social security system.
- To be effective, a review of social welfare needs to consider how social welfare impacts on, and is itself affected by, other components of the overall system.
- High unemployment accepted by policymakers in the 1980s and 1990s triggered a negative spiral of poor health, stress and exclusion for many households.
- Many submitters to Welfare Justice were concerned that opportunities for education and training by beneficiaries have been curtailed by government policy.
- Links between housing policy, health policy, ACC and superannuation also impact on ability of our social welfare system to assist people into well-being.

Chapter 7: Work and Paid Employment

- The work we do for ourselves and for each other is central to human well-being. Work is not limited to paid employment.
- A major shift has occurred in New Zealand employment patterns from “standard work” (waged or salaried work for 30-50 hours per week) towards “non-standard work”. “Non-standard work” includes workers struggling to make ends meet in a series of low-paid, casual or temporary jobs.
- Jobs offering the average wage are often inaccessible to beneficiaries, who are instead part of a pool of low-skill workers competing for a range of minimum wage, low paid, casual, seasonal, part-time, shift work or otherwise poor jobs.

- Labour market skills are produced by integrating employment opportunities, individual abilities and education investment.
- DPB, Sickness and Invalids Beneficiaries face particular barriers to employment.

Chapter 8: Disability

- A discussion that focuses on ways to reduce numbers on Invalids and Sickness Benefits needs to engage with the expertise of those who experience the situation.
- A 'social model' of disability understands that problems lie often not with the "deficits" of individuals, but with the way many parts of everyday life are structured to exclude people with disabilities.
- Disabled people face workplace discrimination, and are rarely in full-time, adequately remunerated or secure employment.
- Extending work testing to Sickness and Invalids beneficiaries as an "incentive" to find work is a misapplication of their desire for workforce participation, as it does not address issues such as the economy and employer attitudes.
- Instead of a human rights approach, there has been a focus on how a benefit recipient might be detached from benefit support as quickly as possible.

Chapter 9: The Welfare State and Ethical Māori Citizen(ries)

- Māori are not only subjects of welfare, but the people most likely to hold the key to improving Māori welfare outcomes.
- A wealth of data shows clearly the economically disadvantaged position of Māori.
- While iwi, hapū and whānau have a critical role to play in improving the social and economic position of Māori, as recognized by the Whānau Ora Taskforce, poverty and widening inequality continue to have a significant impact on Māori and Māori society and require particular attention in social security changes.
- Māori communities have had a conflicted and complicated relationship with the welfare state. There is a need to recognise common citizenship and rangatiratanga.
- Submitters told **Welfare Justice** that the New Zealand economy and social security system do not deliver the same outcomes to Māori as other citizens.
- Welfare reform should not be undertaken without careful regard for the social history of Māori, including the findings of the *Pūaoteatātū Report*, the experience of Matua Whāngai, the rollout of Whānau Ora and the ideas and consent of Māori communities as a whole.
- The following ethical focus for reform of the welfare system in regard to Māori is apt: "How can Māori and the Crown best achieve full, effective Māori citizenship in the pursuit of social security?"

Chapter 10: Families and Poverty

- Ensuring that **all** children are adequately provided for is a key role of the social security system.
- Current benefit levels do not meet the needs of beneficiaries and their children.
- International experience and literature is clear that government policy has the potential to make a significant difference in reducing the extent of child poverty.
- There needs to be a commitment to long term investment in some families and children order for necessary changes to occur.
- Government policy cannot concentrate exclusively on participation in the paid workforce if reducing poverty and raising living standards is to be an objective.
- There is a need to adequately recognise and support the work and demands of caring.

Chapter 11: Can we afford our social welfare system?

- New Zealand is considerably wealthier now than when our predecessors founded our social welfare system in 1938 and expanded it in 1972.
- New Zealand benefit numbers had been falling consistently for a decade before the 2009 recession - the WWG's projected scenarios for future benefit receipt do not incorporate this falling trend.
- A key determinant of trends in social welfare income support receipt is the state of the labour market and its supply of paid jobs. This means that government policies should aim to maintain full employment.
- New Zealand has 30 years to address any unsustainable increase in the percentage of working age people receiving social welfare income support.
- Policies to reduce poverty and reverse the recent increases in income inequality would serve the common good of the country.
- Social insurance programs are not designed to be vehicles for income redistribution. Most of the benefits go to middle and higher-income households.
- Social insurance schemes lack universal coverage, so must be backed up with a social welfare scheme to provide a safety net for those who are excluded.
- A move to a social insurance scheme would further widen gaps between the poor and the comfortable in New Zealand, and would have an unacceptable impact of increasing child poverty.

Chapter 12: Alternatives and Solutions

- One area where there is major agreement with the Government's Welfare Working Group is of the need for urgent reform of welfare in Aotearoa. The big question is about what the nature of that change should be.
- The inherently voiceless in this debate – the children of beneficiaries – should be given primacy in any consideration of policy change.

- There is no immediate crisis in New Zealand's social welfare system, so that there is time to implement policies that will improve outcomes in education and employment.
- Options to simplify the provision of welfare include moving to a two-tier system with one base rate, and working towards a system that treats all adults as individuals for income support purposes.
- Reforming welfare cannot be seen in isolation from what is going on with the employment situation in the economy.
- There is a strong case for substantial work to be done on assessing the practical applications of Universal Basic Income, and its variations, in this country. The 'blame and shame' basis of the current benefit system and its complicated, costly administration would come to an end.

Chapter 13: Concluding reflections

- New Zealand has a proud history of social security. New Zealanders hold strong values that all citizens should be able to participate and live a life of dignity.
- The Treaty of Waitangi forms an integral part of a reformed social security system.
- Sustainability is not the most critical issue facing social security.
- Key policy options for the Government:
 - improve the health, education and income adequacy of families with young children as an investment in the country's future;
 - promote decent jobs that enable citizens to obtain social security through paid employment at adequate wages;
 - reduce barriers for paid employment faced by people with mental or physical impairments;
 - eliminate the punitive culture that is emerging in Work and Income offices;
 - benefit levels must be adequate to prevent poverty;
- There is no case to be made for moving to an insurance framework for providing social security.

CHAPTER 1

INTRODUCTION

- 1.1 **Welfare Justice: the Alternative Welfare Working Group** had its origins in June 2010 when the Government-appointed Welfare Working Group (WWG) held a two-day Forum at Victoria University, Wellington, bringing together international and national speakers to cover a range of issues associated with and arising from the work on welfare reform. During the course of that Conference, the Minister of Social Development stated, inter alia, that she was anticipating and looking for a debate on reforms to social security.
- 1.2 A number of us attending the Forum met informally on various occasions during the Forum with four major concerns. First, the WWG was given very narrow terms of reference which in our view were not going to allow for the wide review about the nature and direction of welfare that was required. (For the information of readers, the terms of reference are included as an Appendix to this report). Second, and, more importantly, those terms of reference were based on a narrow and punitive approach to welfare and social security provision which would not advance and improve welfare provision and delivery. This was identified as a particular concern, especially in the light of Government announcements and the experiences of the effects of benefit reforms in the 1990s. Third, there were a range of critical areas which were excluded from the WWG terms of reference, particularly around benefit adequacy and the relationship between social security and other key issues such as superannuation, accident compensation, and family tax credits. Fourth, the style of work for the WWG meant that beneficiaries and groups working with beneficiaries would have little real and meaningful opportunity for input and participation in the group's deliberations, despite their knowledge and expertise. This was well illustrated by the non-participatory nature of the June Forum.
- 1.3 As a result of reflecting on these issues and discussing them informally during the course of the Forum, Catholic social justice agency Caritas Aotearoa New Zealand, the Beneficiary Advocacy Federation and the Social Justice Commission of the Anglican Church jointly commissioned **Welfare Justice: the Alternative Welfare Working Group** to prepare an alternative report. The commissioning group commented: "We do not want to solely depend on our good faith participation in a consultation exercise, only to find, as has so often happened before, that our participation ends up being justification for conclusions in the final report which have no endorsement from most of the community sector". The Welfare Justice alternative working group was formally launched in July 2010 and was charged with preparing

a report which would be guided by, but not be limited to, the WWG terms of reference and would report to the commissioning group in December 2010. The commissioning document expressed this as follows: "The Alternative Welfare Working Group is to work to the same terms of reference as the Government appointed welfare working group, but with the clear proviso that where the Alternative Welfare Working Group feels that an issue identified as 'out of scope' belongs in the debate, it should be encouraged to expand the scope of its activities".

- 1.4 The aims, as set out in the commissioning document, were to write an alternative report reflecting the response of the community sector setting out recommendations for change; holding public meetings and hearing submissions, particularly from those affected by the proposed changes and those working with them. There was a hope too that the report and the processes around hearing submissions and gathering information would be resources that could be used in the ongoing debates on welfare reform.
- 1.5 Following an initial planning meeting, the group established a process for receiving written submissions and organised a series of meetings throughout the country during September and October to hear about beneficiary and beneficiary group experiences and aspirations in relation to welfare and welfare provision. Hui and meetings were organised in Invercargill (2), Dunedin (2), Christchurch (2), Nelson, Wellington, Upper Hutt, Porirua, Rotorua, Hamilton, Manurewa, Auckland Central and Whangarei. Despite requests to do so, other meetings were not possible because of shortage of time and monies. Local facilitators took a key role in organising the meetings and in circulating information about the meeting and its purpose in the various local communities. At least two members of the group attended each of those hui and meetings. More than four hundred people attended the various hui and meetings.
- 1.6 The hui and meetings were organised around four specific questions:
 - What are one or more principles that you think are important for social welfare?
 - Can you give some examples of where those principles are or are not being applied
 - Give some ideas/recommendations for change
 - Do you have any general comments about welfare change you would like us to hear?
- 1.7 Each meeting worked in small groups around those questions with either a group member or a local person facilitating the group. Following the small group work, the ideas, experiences and suggestions were shared with the larger group and this material was then handed over to the Welfare Justice alternative working group to be used in its report.

- 1.8 In addition to these local meetings, 91 written submissions were made to the group, using either the template designed for the purpose and made available via the website or, in a more open-ended way, reflecting individual or group ideas, thoughts and experiences. Some of the contributors gave permission for their submission to the Welfare Justice alternative working group to be forwarded to the WWG while others sent us a copy of the submission they had made to the Government group, or an adaptation of that submission. The range of aspirations, ideas, experiences and suggestions heard at the hui and meetings and set out in the submissions have been collated in a separate report entitled *What We Heard*.
- 1.9 Alongside the material from the hui, meetings and submissions, we commissioned a range of background papers focusing on key areas of the welfare debate. Specifically, they focused on history, changing patterns of employment, changes in family structure and organisation, lone parents, Māori and social insurance. These were designed to provide background information on key aspects of welfare reform and contribute more generally to the ongoing debates about welfare. All of these papers were provided pro bono and we are very grateful to the contributors; the debates will, we hope, be much better informed as a result of those contributions. They will be available on the website for Welfare Justice, www.alternativewelfareworkinggroup.org.nz.
- 1.10 This report draws on the material provided from those diverse sources. Using our limited time and resources, it links them with our review, analysis and assessment of the New Zealand and international data on social security and welfare to set out directions for welfare reforms that are consistent with New Zealand's culture, history and values. Acknowledging the changing social and economic environment within which we now live, the report gives particular priority to developing a welfare system which is based on a set of values and principles; provides adequate benefit levels (especially in relation to children); takes a wide view of the nature of work, caring and community contribution; values the needs, experiences and aspirations of beneficiaries and meets the human, social and financial needs of all those who are sick and/or disabled, providing them with the opportunities and support required. Above all it should be a system based on dignity, respect and inclusion for all citizens; too many of the current proposals and recent decisions do exactly the opposite. It would be a system which, in the words of some of those whom we met and heard from would have "an unrelenting focus on well-being".
- 1.11 In its Issues Paper, the WWG stated that it was established "to conduct a fundamental review on New Zealand's welfare system" (Welfare Working Group, 2010: 1). We agree that there is a good case to be made for a fundamental review, but the WWG's terms of reference and the wider

context within which it is located means that it is unable to undertake that task. 'Dependency' which has served as the anchor for the WWG's terms of reference is not the place at which to begin debating the shape, direction and funding of welfare; if it is to be a consideration, then that comes much later in the discussion.

- 1.12 We do not see this report as being the 'fundamental review' that is required, but we think that a body such as a Royal Commission would be very appropriate for such a task, with appropriate personnel and terms of reference. The punitive atmosphere within which a good deal of the debate on welfare has occurred during much of the last two decades mean that there is substantial work to be undertaken to repair the considerable damage that has taken place. We heard a good deal about this damage as it affects beneficiaries, staff in Work and Income and organisations working with beneficiaries.
- 1.13 A number of themes persisted throughout the work undertaken for this report. These included:
- 1.14 There is a need for the debate about social security to be well informed by values and a vision which place the well-being of beneficiaries at the centre.
- 1.15 It is of importance to acknowledge and incorporate the Treaty of Waitangi in social security benefit structure and provision.
- 1.16 All work, including caring and voluntary work needs to be acknowledged; paid work matters but is not the only form of work.
- 1.17 Employment policy, full employment and paid work which is adequately paid and appropriately flexible in relation to the needs and circumstances of beneficiaries is fundamental to welfare policy.
- 1.18 Welfare benefits are too low and are creating unnecessary levels of poverty, especially for children. Benefit levels need to reflect community standards and expectations in relation to currently acceptable living standards.
- 1.19 Beneficiaries should be treated with respect and dignity in all their dealings with the benefit system.
- 1.20 The responsibilities and rights of all parties – beneficiaries, service providers and government – need to be balanced appropriately against one another.
- 1.21 Significant changes are required to the delivery of social security at Work and Income offices to ensure consistency, transparency and appropriate responses.

- 1.22 Benefit requirements are too complex for all those involved to understand fully and accurately – beneficiaries, staff and social service and community agencies.
- 1.23 Some beneficiaries will require sustained and holistic assistance if they are going to be able to effect changes in their lives and in the lives of their whānau.
- 1.24 We hope and expect that this report will contribute constructively and positively to the current debates. We hope it will inform those debates and prevent the debates and associated decision making from pursuing the current punitive and socially and economically destructive directions. We hope it will be a resource which others will draw on as they participate in and contribute to the debates about the direction for welfare. We hope that the Government will incorporate its thinking and recommendations into its decision making about welfare reform.
- 1.25 We acknowledge the commitment of those who provided the financial and logistic support to the project, specifically Caritas Aotearoa New Zealand, Beneficiary Advocacy Federation of New Zealand and the Social Justice Commission of the Anglican Church. We are grateful too to the JR McKenzie Trust, Council of Trade Unions and Ian Ritchie for additional financial support. Second, we acknowledge the individual contributions of the key people from these groups who formed the advisory and support group – Lisa Beech, Kay Brereton, Anthony Dancer, Teresa Homan and Stephen Dawson contributed an enormous amount on top of very demanding jobs. Third, we are grateful to our friends and colleagues in various parts of the country who so willingly took on the work of organising and supporting the local hui and meetings. Fourth, we are grateful to our own whānau and families who so actively supported and encouraged us throughout this work and who sacrificed time and energy to enable us to do the work. Finally, we acknowledge the support of our own workplaces and work colleagues in enabling this commitment and contribution to occur.

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CHAPTER 2

VALUES AND VISION

- 2.1 In a somewhat loose historical sense, social security is based on a set of values informed by Christianity, liberalism, conservatism and social democracy, socialism, human rights and humanism. Issues of social justice, Christian commitment to care for others, social protection and preservation of social order have traditionally formed an important part of those values. Historically, issues of alleviation and prevention of poverty and inclusion in society have been significant influences on those values. More specifically, historically, social security has been concerned with a range of what are sometimes described as social contingencies – unemployment, sickness, old age, maternity, disability, employment injury, death, need for medical care and child-rearing. More recently, the experiences of women, of Māori, of migrant communities, of children and of disabled people have been important in shaping and strengthening those values and reworking them in a contemporary context.
- 2.2 A number of continuing changes shape social security in the early 21st century. These changes include:
- Globalisation (with its associated economic, technological and social elements)
 - Shifts in the political environment
 - A strengthening ideology of individual responsibility
 - Changes in family structure, especially increases in parental separation and sole parenthood
 - Population ageing
 - The decline of full employment and changes in job markets
 - Increased international migration
 - The growth of poverty among families with dependent children.
- 2.3 While social security is influenced by these wider processes, important questions remain about what these changes mean and, particularly importantly for social security, who is adequately protected and supported. As Gilbert (2005:19) notes in his discussion on the growing emphasis on 'active' social security policies: "Do they [the current changes] provide people with more freedom to live fuller lives?" This link between an adequate social security system and improving the freedom of citizens is well captured in the quote from the former British Conservative Prime Minister Harold Macmillan when he said: "Freedom and poverty cannot live together. Only if poverty is abolished can people enjoy freedom".

- 2.4 Chapter 3 reviews key elements of the New Zealand social security system, highlighting the ways in which those have changed over time and ways in which the changes have not increased freedom, have rejected fundamental values and were based on a destructive vision. We have heard clearly that the system is no longer focused on the adequacy of benefits and allowing benefit recipients the opportunity to participate actively in society. Rather it is now dominated by a punitive stigma. As many submissions noted, the major emphasis has been on minimum possible assistance provided in ways in which beneficiaries are explicitly and implicitly treated as second class citizens. Words such as 'outsiders', 'others', 'inferior', 'humiliating', 'second class' dominated the statements and submissions we received from beneficiaries and from social service organisations.

Values

- 2.5 We asked participants in our inquiry to describe the principles which they thought ought to shape and determine the provision of social security. In their responses, participants highlighted the development of a system which:
- Treats beneficiaries with dignity and sensitivity
 - Treats beneficiaries with respect
 - Is based around inclusion, not exclusion as is the current experience
 - Provides benefits at an adequate level
 - Provides adequately for the needs of children
 - Is culturally responsive and appropriate
 - Is not punitive
 - Encourages and supports beneficiary initiatives and goals
 - Recognises the value of caring and voluntary work as being of equal value to paid work
 - Is reliable and consistent
 - Maintains commitment and support over time where this is required
 - Provides long-term investment where this is needed to change the effects of historical experiences such as violence and long-term unemployment.

One of the participants reflected several of these comments when he said we want a system which does not punish and blame, or create guilt and stigma. Many of these issues were captured by Homebuilders in their submission when they argued that: "the central focus of the benefit system should be providing financial support so that those unable to do so are able to participate fully in the community. The key principles should include treating people with respect, acknowledging the critical and essential importance of people who care for children or those unable to care for themselves; benefit rates should be set at a level which enables recipients to participate fully in the community; hardship assistance should have a higher degree of flexibility". (For a fuller discussion of these issues of principles expressed in the public meetings, see *What We Heard*).

- 2.6 These statements reflect, inter alia, an important emphasis which came through in a number of the submissions received, namely the importance of basing social security provision around a human rights framework. (For a fuller discussion of the submissions around this theme, see *What We Heard*). Significantly, this focus on human rights as a basis for social security has received increasing attention internationally over the last decade. New Zealand's Human Rights Act 1990 and the range of international human rights conventions to which New Zealand is a signatory provide a very good basis for protecting and promoting the well-being of social security recipients, ensuring the adequacy of benefits and promoting social inclusion.
- 2.7 Alongside these statements, there are important statements of principle in the Local Government Act 2002 which can be drawn on to build and develop an effective base for social security provision. The Act's emphasis on economic, cultural, social and environmental well-being among New Zealand's communities provides a potentially powerful set of values for social security provision and regulation. Effective social security contributes to all four dimensions. Clearly the current provisions fail on all these dimensions.
- 2.8 The provision of social security is a fundamental component of contemporary society, representing both the sense of our interdependence on one another, cohesiveness and the common good and, as participants noted at our meetings, a sense of support for one another as members of New Zealand society, provision for those in need currently (recognising that all of us will be in need at some point in our lives), investment in the future through support for children to maximise their opportunities and abilities, our shared obligations to one another and our commitment to providing long-term support when required.
- 2.9 All of these values stand in contrast to much of the current practice which was variously described as mean spirited, stigmatising, punitive, degrading, complex, totally inadequate and based around minimising assistance, suspicion, maintaining people in poverty, discouraging and ignoring, beneficiary goals and aspirations and lacking responsiveness to individual circumstances. As the Caritas submission noted, the experiences of poverty are in too many instances compounded by the experiences at Work and Income offices.
- 2.10 Running through the submissions we received and the discussions at hui and meetings, was an expression of both frustration at the current provisions, philosophy, structure and administration of social security and the need for its structure and delivery to be based around changes in core values and philosophy, changes which advanced both social and economic well-being.

- 2.11 In its Issues Paper, the Welfare Working Group (2010) set out five principles which it stated as the basis for guiding policy changes. These principles were: recognising the value and importance of paid work; respecting the dignity of people; promoting responsibility, accountability and mutual obligations; efficiency and freedom from misuse; affordability and sustainability. These represent a very limited and narrow approach to the role, purpose and direction of social security. They do not form a set of principles which, if followed, will lead to an effective, comprehensive and adequate social security system which meets the needs and aspirations of New Zealanders now and into the future. They represent a plan which will lead to increased poverty, greater social exclusion and a waste of economic potential.
- 2.12 Social security, as it has developed over the last two decades, has created and reinforced the growing inequality and poverty in New Zealand society, despite the extensive evidence of the harmful effects of the growth of inequality and poverty for individuals and for society as a whole. The harmful consequences of inequality have been effectively captured internationally in the recent work from Wilkinson and Pickett (2008). Individuals suffer. So too does society, both socially and economically.
- 2.13 The harmful effects of poverty are well known; avoiding and alleviating poverty are fundamental to any effective social security system. The basic and fundamental importance of adequate benefit levels is highlighted by Ridge and Wright (2008: 322) when they say: "The issue of income adequacy in social security benefits remains fundamental to any prospect of reducing poverty and inequality and delivering secure safety net provision for those who cannot work and are forced to rely on social welfare".

Principles

- 2.14 Fundamental to these changes and to the development of a responsive and effective system are the following principles:
- 2.14.1 Social security requires investment in the well-being of all members of society. In other words, social security is not just a matter of meeting specific contingencies. Nor is it merely an issue of cost; social security cannot be defined only in terms of its costs. It represents our shared commitments to one another as members of the New Zealand society and represents an investment in the health and well-being of all members of our society. The nature, level and basis of its provision reflects and demonstrates the vision we have of ourselves as a society, now and into the future.
- 2.14.2 Social security ought to properly reflect Māori aspirations for full citizenship and rangatiratanga. To this extent in particular, Articles Two and Three of the Treaty of Waitangi provide both the basis for

Māori economic and social development and participation and a basis on which all citizens are treated equally. The current social and economic position of Māori provides clear testimony of the failure to meet the obligations contained in those two Articles. Other ethnic minorities are also over-represented among those living in poverty.

- 2.14.3 Social security ought to protect vulnerable groups and individuals from adverse conditions. Such vulnerable groups include lone parents, the unemployed, people who are sick and disabled and their carers. It has a key role in providing assistance and support to families looking after dependent children, both in order to ensure that those families have an adequate income to meet the needs of those children and allow them to participate effectively with their peers and to reflect the additional demands and costs faced by all families in providing for children.
- 2.14.4 Social security ought to be financed from general taxation, rather than by individual contribution. Clearly providing this support requires financial commitments for all citizens; that is one of the important purposes of taxation. This support is too often seen as just being an item of expenditure. Much more significantly, it reflects our values as a society in assisting in meeting the needs of all citizens and also represents an investment in future well-being, for children and for adults who will at some future time be able to undertake paid work. Benefit rates should be based on need, not financial contribution. A system based on contribution, such as an insurance system, does not provide adequately for all and frequently means that those with greatest need do not have the assistance they require when it is required because they have not made sufficient contributions.
- 2.14.5 Social security should encourage and support opportunity for all citizens to participate in our society. The regulations, administration and practice of social security should maximise opportunities for everybody to contribute as, where and how they are able and should recognise those diverse contributions. Responsibilities placed on beneficiaries need to be matched by responsibilities of the state to provide adequate services and to manage the economy and social relationships in the interests of the poor and poorest.
- 2.14.6 Social security ought to facilitate the achievement of paid employment, as well as other beneficial types of work that facilitate well-being and are appropriate to the individual's situation. Benefit structures and requirements should encourage participation in

society and should recognise a range of forms of participation, including paid work. Work, however, is not limited to paid work. Caring for children and voluntary contributions are also work and of equal value to paid work and should be treated and valued as such. As one submission noted, the 'unrelenting focus on work' referred to by the Minister should be replaced by an 'unrelenting focus on well-being'.

- 2.14.7 Social security should provide an adequate standard of living. Payments and support should be provided at a level which will allow those receiving it to have a standard of living at a level regarded as acceptable in contemporary society. Benefit rates should not, then, be set at a minimum subsistence level but should allow beneficiaries to participate effectively in society. Benefit levels should not result in beneficiaries and their children being excluded from the society and treated as outsiders who do not belong and have a place in contemporary society.
- 2.14.8 The social security system ought to be flexible and transparent. Personal and family circumstances change over time and expectations of participation in paid work and the social security system need to work with these changes rather than automatically and always expecting and requiring full-time work participation. Moreover, the changing pattern and structure of employment means that permanent, full-time employment will not always be possible and social security needs to be sufficiently flexible to meet and accommodate these changes.
- 2.14.9 Social security law should be simple, transparent, consistent and consistently applied. Beneficiaries should be clearly informed of their rights and responsibilities and of any requirements associated with receiving a benefit. Information should be provided in plain language, in multiple languages and aimed at maximising information. Beneficiaries should have the right to appeal against decisions to an independent tribunal, should be advised of that right and appropriately supported in that appeal.
- 2.15 Provision of an effective social security system is closely linked to other economic and social policies. Specifically, a comprehensive social security system must be linked with good economic, employment, housing, health, education and social service policies. These six areas contribute to social security in the wider sense of that term and the effectiveness of social security in reducing poverty and advancing human and social well-being depends on how well all seven policy areas are integrated. New Zealand's history and experience and international lessons highlight the fundamental

importance of the links between these (and other) policy areas. Such a broad sweep is essential if the 'fundamental review' to which the Welfare Working Group (2010) refers is to occur. Equally, it is also integral to the approach which many of those who came to our hui and meetings and made submissions to us were seeking. It is very clear that a broad approach is required if we are to develop a social security system which will meet the needs and aspirations of New Zealand and New Zealanders in the 21st century.

- 2.16 These statements of principles reflect many of the issues, ideas and arguments advanced by the 1972 Royal Commission on Social Security and by the 1988 Royal Commission on Social Policy. As noted in Chapter 3, the 1972 Commission set out a range of principles. These included community responsibility for an adequate standard of living, an emphasis on need as the base of the social security system, comprehensive coverage irrespective of cause, and identification and measurement of need. On the basis of these principles, the Commission argued, the system should sustain life and health, should ensure that benefit levels would enable beneficiaries to feel a sense of belonging and participation in the community and should improve the quality of life.
- 2.17 The 1988 Royal Commission on Social Policy took a similar approach, reiterating the emphasis on participation and adding that benefit levels should allow people to reach their potential and should provide a measure of certainty and security. Furthermore, the Commission argued, benefit levels should relieve immediate need and ensure the well-being and healthy development of all children.
- 2.18 It might be argued that these are principles for a distant time. Such an argument can only be supported if beneficiaries are not to be regarded as outsiders who have no place in our society. The principles remain as valid now as they were when first expressed. Indeed, arguably, they are even more significant now as economic and social conditions change in a climate of uncertainty. It is clear from the experiences we heard about and the ideas expressed in our various meetings and hui that the principles are still very important and represent the base on which to build an effective and appropriate social security system in the early 21st century, if that system is to be committed to ensuring adequate support and opportunity for all New Zealanders.
- 2.19 Social security provision, its adequacy and the rules and regulations surrounding it represent a very clear expression of the values and priorities in our society. Its provision is much more than an issue of cost and its capacity to operate effectively both in significantly reducing poverty and being delivered in a humane, non-stigmatising fashion is demonstrated by the

current arrangements for national superannuation which is very positively regarded and has been very effective in substantially reducing levels of poverty among older people. As one submission noted, it is a very clear measure of the kind of society we are and what we aspire to as a society.

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CHAPTER THREE

HISTORICAL OVERVIEW

- 3.1 The purpose of this chapter is to provide a necessarily brief overview of the history of social security in Aotearoa New Zealand. In almost all respects this history is of processes and systems introduced from the middle of the 19th century, overwhelmingly reflecting settler, colonial and post-colonial perspectives.
- 3.2 Despite this perspective it is important that Māori ideas are incorporated in whatever forthcoming reform will be undertaken of the welfare system. Māori values pertaining to group cohesiveness, social protection and social security, must be reflected and articulated in any such reform if Māori are to be genuinely engaged in decreasing or ameliorating Māori reliance on social security. (See Chapter 9).

Māori values and social security

- 3.3 The definitive Māori history of social security has not been written yet. In truth, much of the general history of social security in New Zealand includes Māori, insofar as Māori have been participants and recipients of social security for most of the history of the operation of the system. Certainly reports such as *Pūaoteatatū* have expressed and described Māori experiences of the social welfare system, and decried the lack of respect for Māori values within the system. However, Māori values and customary laws have been largely ignored in given histories of the New Zealand welfare state. This report cannot hope to reconstruct those social histories, but it can seek to alert the users of this report to the ongoing importance of those histories and values.
- 3.4 Any historical discussion that takes into account Māori understanding of social security, no matter how brief, as is the case here, must refer to the great revolutions of 19th century Māori life. The impact of colonisation can scarcely be underemphasised, including the massive problems created by the musket wars of the 1810s, 1820s and 1830s, major internal migrations of the 19th century and the major land wars between many Māori and the Crown, particularly in the 1850s and 1860s. Ultimately traditional Māori society was being dismantled and re-formed in the crucible of war, disease, migration and colonisation. In addition, vast amounts of land were being purchased and taken from Māori, and Māori individuals, whānau and hapū groups were increasingly tied up in Māori Land Court proceedings towards the last half of the 19th century. The economic base by which Māori were able to support themselves was compromised, in many cases beyond repair. Further

upheavals and demographic revolution were to come in the 20th century including the advent of the post World War II urbanisation of Māori.

- 3.5 While we cannot do justice to this history here, we do seek, for the purposes of this chapter, to refer briefly to the importance of three traditional values in Māori societies that have historically underpinned Māori notions of social welfare, and continue to survive despite the tumult of the past two centuries. Mana/manaakitanga, whānau/whanaungatanga, and utu are three such concepts (or indeed, collections of concepts). Any systemic reform must, at the least, pay attention to these notions as critically important in the history of Māori ideas about welfare and social security. Three authors, Hirini Mead, H.B. Hawthorn and Peter Webster, in their accounts, briefly capture something of the importance of these values to Māori thinking of the 19th and early 20th centuries, even until contemporary times.

Mana/manaakitanga

- 3.6 As stated by Hirini Moko Mead the centrality of nurturing relationships, as expressed in the value of manaakitanga continues to be critical to Māori ideas of social welfare: "All tikanga are underpinned by the high value placed upon manaakitanga – nurturing relationships, looking after people, and being very careful about how others are treated. ... Aroha is an essential part of manaakitanga and is an expected dimension of whanaungatanga. It cannot be stressed enough that manaakitanga is always important no matter what the circumstances might be."

Utu

- 3.7 Peter Webster pointed out in the 1970s that, at the turn of the 19th century, the notion of reciprocity continued whereas Pākehā ideas of saving for contingencies was not always perceived as adequate in Māori societies: "A person with money was expected to be generous with it, to give financial assistance at hui and tangi, and to help relatives who were in difficulties ... the Post Office would not help someone without money; once the account was empty, that was the end of it. A relative whom one helped with a loan or gift of cash seemed a more reliable form of investment – the debt would almost certainly be repaid when one was in difficulties." (Webster 1979:139)

Whānau/whanaungatanga

- 3.8 As noted by another anthropologist, H.B. Hawthorn in the 1940s, changes in the kinship system as experienced by Māori also changed what counted as security for many: "The security which the individual formerly derived from his claims on a wide group of relatives he now derives from intenser claims on a small group. This small group is narrowing down to the individual family and their closest kin, a change which is taking place at the expense of the whanau. The whanau ... consists of a group of relatives who share a name, often own and manage a property in common, have special duties at the

birth and marriage and death of one of the members, and bear a number of other mutual responsibilities.”

- 3.9 Any serious understanding of Māori and the development of social security requires investigation of the role of these, and related values in combination with Māori societal changes. By the same token, this same history needs to be factored into any future reform of the welfare system that will truly meet and reflect Māori aspirations and needs.
- 3.10 With our all-too-brief reflection on a few critical Māori values of importance in understanding Māori notions of social security we turn now to the broader history of the New Zealand social security system.

Early colonial settlement

- 3.11 Early British immigration to New Zealand was heavily influenced by a determination to escape from and avoid replicating the institutional framework of the Poor Laws, including the workhouse system that had blighted the lives of the poor in the United Kingdom.
- 3.12 A range of measures to ensure formal responsibilities for destitute family members remained with the family of origin (sometimes extending across three generations) were evident throughout much of the 19th century. These measures were often quite punitive in their approach, including the Destitute Persons Ordinance of 1846 (later the Destitute Persons Act 1877). However, as New Zealand was hit by a number of economic depressions, particularly from the 1870s onwards, and as sweatshops began to appear in response to growing industrialisation, it quickly became evident that church-based interventions and family-based aid were simply insufficient to cope with growing numbers of destitute people.
- 3.13 The most widely acknowledged and celebrated element in the development of 19th century social security was the introduction of the Old Age Pensions Act in 1898. This legislation gave very modest assistance to older people over the age of 65 who met the means test, and residential and land ownership requirements, and excluded from eligibility those who were not of a good character or sober habits. The rules in relation to evidence about age and about individual land ownership meant that many Māori were not eligible for assistance. Asian people were expressly also excluded from this support.
- 3.14 Although not directly part of the brief for this report, it is worth noting here too that the first provisions for assistance for industrial injuries were included in the Workmen’s Compensation Act of 1897. While this can most comprehensively be linked with current accident compensation provisions, it is nevertheless an important part of the historical legacy of provision for income support for those who were unable to do so through labour market activity.

- 3.15 The early part of the 20th century saw limited extension of welfare assistance, with provision for widows introduced in 1911, returned servicemen in 1918, the blind in 1924 and limited family assistance in 1926. The latter was limited to third and subsequent children and was income tested.
- 3.16 The economic collapse of the late 1920s and early 1930s, commonly referred to as 'the depression' saw pensions and salaries cut. Under the principle of 'no pay without work', work camps and temporary jobs were introduced as a standard feature of Government response. (Aspects of this are well captured in Tony Simpson's *Sugarbag Years*). The effects of this are captured by McClure (1998: 50): "The meagre pay and irregular days of relief work, and the purposeless nature of much of the work, humiliated large numbers of men". She goes on to note that many of those unemployed were physically unable to undertake the work they were required to do and the Unemployment Boards and charitable aid boards "jostled to escape responsibility for these men" (Op.cit., 51). Women did not receive the limited financial assistance given to men while efforts to extend pension coverage were vigorously opposed. Assistance to Māori was at a lower rate than that paid to Pākehā, while other ethnic groups were also denied the same level of assistance as Pākehā. Levels of poverty increased significantly, as did evictions. Charitable aid boards proved ineffective and: "more of the community were exposed to the humiliation of asking for charity, and asking repeatedly" (Op. cit., 57).

Social Security Act 1938

- 3.17 Direct financial assistance to the unemployed was an integral part of the Social Security Act 1938. Like the Invalid's Benefit and Sickness Benefit introduced in that legislation, it was means tested and, unlike Invalid's and Sickness Benefit, carried with it a work search requirement. The purpose of the Act is well set out in its Long Title: "An Act to provide for the payment of superannuation benefit and other benefits designed to safeguard the people of New Zealand from disabilities arising from age, sickness, widowhood, orphanhood, unemployment or other exceptional circumstances". The Act reflects a clear commitment to a collective sense of well-being and shared sense of responsibility, the Minister of Health asserting during the Parliamentary debate on the Bill: "We have embarked on a comprehensive social security scheme embracing the needs of all those in the community whose need was great". (Quoted in Royal Commission on Social Policy, 1988).
- 3.18 While the direct provisions for social security were significant steps in the development of social security in Aotearoa, equally important was the commitment to full employment, rightly identified by many as a cornerstone of social security provision. Direct action in setting economic policy through such measures as establishing guaranteed prices and the development of state housing were integral parts of that commitment. State housing

contributed to the development of full employment and significantly improved the quality of housing which had been a major concern in the 1920s and 1930s. These developments were to be accompanied by universal access to education for all, developing the skills and abilities of all citizens, reflected in this argument from the Minister of Education: “the Government’s objective, broadly expressed, is that every person, whatever his level of academic ability, whether he be rich or poor, whether he live in town or country, has a right, as a citizen, to a free education of the kind for which he is best fitted, and to the fullest extent of his powers”. (Quoted in Dunstall (1981)).

- 3.19 The 1938 Act also included provision for a Family Benefit, payable for all children without a means test from 1946. Availability for Māori children was limited until 1946. In the budget of 1958, provision was made for the Universal Family Benefit to be capitalised and this provision was taken up by a large number of families as they used it to buy a family home.
- 3.20 The period immediately following World War II was characterised by a lack of attention to social security issues. Indeed, the main change noted during the 1950s and 1960s was the growth of targeted assistance and means testing with the introduction of various forms of means tested assistance, similar to what is now Temporary Additional Assistance (TAS). It was the beginning of the move towards more individually assessed and targeted assistance.

Royal Commission and beyond

- 3.21 As we have indicated in Chapter 2, the Royal Commission on Social Security reported in 1972. Its approach to social security is reflected in its approach to the basis of social security provision and the framework for the setting of benefit levels. Reflecting a fundamental principle that has continued to inform the New Zealand approach to social security, benefits should, the Commission said, be based on need, not contribution. “Need and the degree of need should be the primary test and criterion of the help to be given”.
- 3.22 “Need”, the Report went on to say, “relates to the adequacy of income to give a *reasonable* standard of living compared to that enjoyed by the rest of the community”. (Emphasis in original). Here, the Commission is clearly indicating what has often been referred to subsequently as its fundamental approach, namely that those receiving a benefit should be able to “belong and participate” in society and benefit levels should be set to enable these objectives to be achieved. There are key principles here which have important implications for the approach to social security in the current reforms.
- 3.23 The Commission argued that the married benefit rate should be set on the basis of two reference points, namely 80 per cent of the after tax wage of

building and engineering labourers and the lower quartile of adult male wages. The single rate should be set at 60 per cent of the married rate.

- 3.24 Aside from proposed changes to benefits for older people, the major concrete change recommended by the 1972 Royal Commission was the introduction of a statutory benefit for sole parents, the Domestic Purposes Benefit (DPB). There had been a discretionary benefit since 1968. It provided a benefit for those responsible for caring for dependants, whether those dependants were children or were requiring care as a result of sickness.
- 3.25 The report of the 1972 Royal Commission had been preceded by the 1967 Royal Commission on Compensation for Personal Injury (the Woodhouse Report), a report which led eventually to the introduction of accident compensation provisions in 1972. While not directly the focus of our attention in this report, it warrants attention because of its financial support for accident victims, many of whom have similar needs to those receiving a Sickness or Invalid's Benefit. Some of those currently receiving one of these two benefits have been moved to them as a result of being deemed ineligible for further accident compensation support. Comparisons between accident compensation and Sickness and Invalid's Benefit were the subject of some of the submissions we received and was also commented on by a number of participants at the various hui and regional meetings, with benefit coverage and provision being seen as significantly inferior to that provided to and for accident victims.
- 3.26 Aside from the introduction of National Superannuation in 1977, a major initiative in its own right, but outside our detailed attention here, subsequent to the 1972 changes there was little direct attention to social security matters until the mid 1980s. Significantly, a DPB Review Committee in 1976 did tighten eligibility conditions surrounding the benefit for lone parents, reducing eligibility for the first six months after application.
- 3.27 In addition to the development of state housing in the 1930s and provisions for capitalisation of Family Benefit in 1957, the social security system has also included various forms of targeted assistance with accommodation costs. This has taken the form of various rental subsidies, a means-tested payment initially made to beneficiaries in private rental accommodation to help meet the costs of housing. Wage earners on low wages and facing high housing costs have also been eligible. Those living in a state house were not eligible for direct housing assistance but rental levels were pegged to a fixed percentage of income.
- 3.28 There was some development of assistance to families through a range of tax and other initiatives during the 1970s and early 1980s with rebates introduced for single-income families and for families with young children.

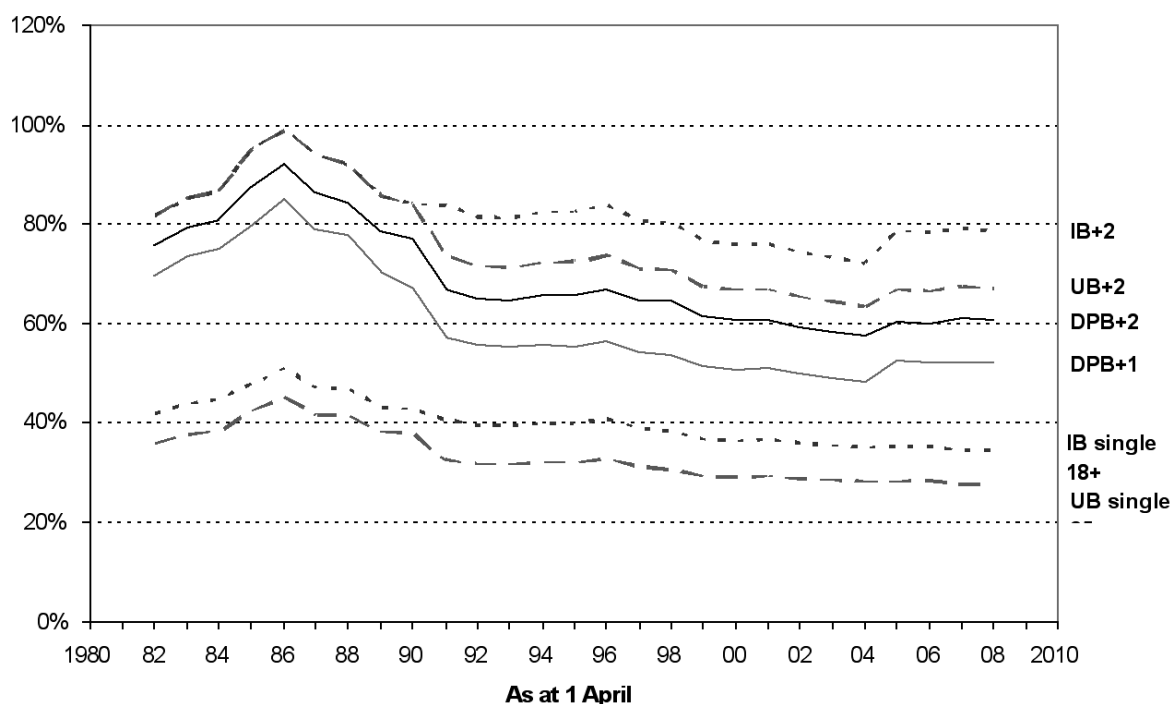
Assistance to families with children was extended during the latter half of the 1980s with the growing utilisation of a range of tax credits and wage subsidies. This was to be the beginning of the extensive use of the taxation system throughout the next two decades, culminating in Working For Families (WFF) in 2004.

- 3.29 The Universal Family Benefit, which had not been adjusted for many years, was abolished as part of the benefit cuts in 1991. Those benefit cuts represented the most significant reduction in social security in New Zealand's history and were a major contributor to the growing poverty, especially child poverty, discussed more fully in Chapter 10. In brief, the 1991 Budget reduced social security benefits by up to \$27 per week with the most significant cuts being experienced by lone parents, the sick and disabled people. Those cuts were accompanied by significant changes to housing assistance which effectively increased public rental housing costs, an increase which had a major impact on the growth of poverty.
- 3.30 These critical policy changes need to be placed alongside the changes in employment policy in the late 1980s and 1990s. As noted above, full (male) employment had been an integral part of the social security system. The shift from full employment to a focus on training and the acceptance of unemployment as part of New Zealand's social and economic policies represents a fundamental change with important consequences for social security. It removes one of the core parts of the New Zealand approach to social security.

Benefit cuts and tax credits

The benefit cuts of 1991 reflected a significant change in the approach to social security, the Minister at the time arguing that benefits should be set at a level which would "provide sufficient assistance to maintain individuals and families in the *daily essentials* of food, clothing, power and housing at a decent level. Assistance will be *closely targeted on genuine need* and people will be expected to *support themselves* when they have the ability to do so". (Emphasis added). Benefit rates have not been reviewed since the benefit cuts; increases since that time have been based on increases in the cost of living, but the core rates have not been reviewed. The result is that the gap between benefits and wages has increased significantly as Figure 3.1 shows.

Figure 3.1 Income-tested benefits (plus FTC) relative to average earnings



Source: Perry, 2009: 44. Figure C7.

- 3.32 Alongside the benefit cuts in 1991, there was a significant increase in discretionary and targeted forms of assistance such as the Special Benefit and Special Needs Grants. The former provided ongoing assistance, based on a formula to assess the gap between income and expenditure. It was reviewed on a six-monthly basis and beneficiaries were encouraged to reduce costs by such measures as moving to cheaper accommodation. Special Needs Grants, on the other hand, were individual payments to meet specific immediate financial difficulties such as lack of food, costs of school uniforms, accommodation bonds, etc.; most are treated as loans and beneficiaries are required to repay them. The Special Benefit was replaced by Temporary Additional Support (TAS) in 2006; eligibility conditions and levels of support have tightened with the changes.
- 3.33 One of the other significant consequences of the 1991 benefit cuts has been the growth of foodbanks. Although precise figures of the number of foodbanks are not available, agencies involved in providing assistance through foodbanks (such as the Salvation Army and other church social service groups) all report significant increases in demand for and use of foodbanks over the last two decades. Foodbanks have now become an integral part of the New Zealand social service structure and provide a very useful barometer of the adequacy of benefit levels.

- 3.34 Poverty, especially child poverty, has not been limited to beneficiaries, although the rate there has been particularly severe. The increases in child poverty in the 1990s were a significant factor in the range of changes to social security and related assistance in the 2004 Budget, phased in over the subsequent three years.
- 3.35 In brief, since the introduction of the Independent Family Tax Credit in 1996, assistance to families with children has been provided on the basis of their workforce participation. Eligibility for WFF and for its immediate predecessor, the Independent Family Tax Credit, was limited to those with dependent children who were in paid work and “independent of the state”, that is, they were not “dependent” on state assistance. The programmes discriminated against beneficiary families with children (predominantly lone parents). The Human Rights Tribunal found it discriminatory in a decision in 2008, but, in a somewhat curious argument, said that the discrimination was justified on government policy grounds. The return to income-related state house rentals in 2001 had made an important difference to levels of poverty for those families living in a state house but it did not affect those renting privately.
- 3.36 In addition to the direct family assistance through tax credits, accommodation and childcare assistance were also increased and TAS replaced Special Benefit in the 2004 Budget. While the changes did reduce child poverty for those in work, they made only limited difference for those children in households reliant on a social security benefit for their income. (The significance of this issue is taken up further in Chapter 10). Early European settlers had come to New Zealand in part to move from the notions of deserving and undeserving poor; WFF reasserted these quite clearly with its emphasis on paid work as the major determinant of state assistance for families with children. Those in paid work are deserving, while others in the working age population receiving a benefit are undeserving.
- 3.37 The complexity arising from the development of tax credits and their interface with an increasingly complex social security system was the source of many submissions received during this work. In short, the growth of a range of different forms of assistance and the increasing use of means tests has resulted in a social security system which has become very difficult for beneficiaries and those working with them to understand and negotiate. This is taken up further in Chapter 5.

Benefit dependency

- 3.38 Alongside the direct attacks on benefit rates and eligibility, the late 1980s and 1990s were characterised by growing attacks on beneficiaries as “dependants” and a focus on “benefit dependency”. The term itself has never been defined and has become a loose and imprecise phrase used to

attack and criticise beneficiaries. Often it has been used to imply that all beneficiaries are unnecessarily and inappropriately relying on government assistance rather than being “independent” and self-reliant. The persistent critical use of the word “dependent” has been an important part of the process of treating benefit recipients as “outsiders”, “others”, people who, it is implied, do not belong in our society. In many respects it has become an acceptable alternative to the more directly critical term, “bludgers”.

- 3.39 This sense of being an outsider, of being under attack from politicians, many media commentators and from a number of elements in the general public, and the stigma of being a “beneficiary” was a strong theme at both the regional meetings around the country and in the written submissions we received and has been an important element in the attacks on beneficiaries over recent decades. Some commented that we need to find a new word because of the stigma. As various written and oral submissions noted, critical descriptions of beneficiaries as “dependent” is a direct attack on the sense that social security and support are essential features of being part of a society. These attacks also ignore and deny the fundamental ways in which we all need support from time to time, what one submission observed was the sense that “we all need help some time”.
- 3.40 The attacks also ignore the wide range of ways in which as a society we provide various forms of government support throughout our life time and in various parts of the economy. Receiving a benefit is “bludging” and “dependency”, while receiving tax credits and superannuation, also paid by government, often for much longer periods than people receive a benefit, is not defined nor described as bludging and dependency. Rather, it is seen as support that represents part of our shared and collective commitment to one another.
- 3.41 Alongside, and as part of the focus on “dependency”, the last two decades have also witnessed a strong emphasis on paid work and paid work obligations as an integral part of the conditions of receiving a benefit noted above. Work requirements have been strengthened, most recently by requiring lone parents whose oldest child has reached the age of six to be seeking work. The current work of the Welfare Working Group is focused very heavily on paid work obligations for lone parents and recipients of Sickness Benefit and Invalid’s Benefit. Being in paid work and movement from a benefit into paid work has become the central driving focus of the social security system, at the expense of other goals such as ensuring that benefit levels are adequate. We discuss the implications of this focus on paid work more fully in Chapter 7.

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CHAPTER 4

LANGUAGE AND DEFINITIONS

"[P]ublic discourse doesn't just shape private discourse, it is its catalyst; it sends out the message 'this is something you should be talking about'" (Novic, 2001).

"Stories are wondrous things. And they are dangerous [...] once a story is told it cannot be called back. Once told, it is loose in the world." (King, 2003).

"You know, you don't quite realise how powerful [language] is until you get to pick the wand up and you realise very small movements have quite strong and far reaching reverberations." (Key, 2008).

- 4.1 Over the past century or more in the history of welfare legislation nationally and internationally a set of ideas have sprung up that have required terms as a kind of shorthand or code to be able to express those ideas concisely. Such terms as used by all sides of the welfare reform debate are important because they reveal critical information about the intentions and ideas behind the law and policies of the relevant era. Looking at this rhetoric of earlier decades is important to gain an understanding of the current welfare framework as we enter a new era of welfare reform. If clarity in the welfare debate is to be achieved it is important that the rhetoric and terminology of that debate be understood clearly, and in context.

1930s-1970s: Participation, community responsibility, need

- 4.2 An important, and often cited clue to the mindset behind the passage of the 1938 Social Security Act is the Long Title:

An Act to provide for the Payment of Superannuation Benefits and of other Benefits destined to safeguard the People of New Zealand from Disabilities arising from Age, Sickness, Widowhood, Orphanhood, Unemployment, or other Exceptional Conditions; ... to provide such other benefits as may be necessary to maintain and promote the **Health and General Welfare of the Community**. [Emphasis added].
- 4.3 The 1972 Report of the Royal Commission on Social Security ("McCarthy Report") looked at the system that had evolved since 1938 and described the principles on which the social security benefit scheme was based. Those principles included the following:

Need

- 4.4 **Eligibility for benefits should be based on need.** The idea of need could only be determined by the identification of circumstances, such as sickness. It is also determined by measurement, using an income test. This idea has been prevalent within our welfare system since its inception. The focus of a needs-based system is necessarily on seeking to restore that which is missing. If I lack shelter, I need it, and the focus is on the nature and extent of the deprivation and how that deprivation should be rectified. A needs-based approach is therefore different to a “rights”- or entitlements-based approach; if I have a right to shelter, the focus shifts from me as the rights bearer to the person or agency which carries the duty of ensuring my right is upheld. A child has a right to be nurtured by her parents; her parents are subject to the concomitant duty of ensuring her right is upheld. The language of this time is assuredly needs-based.

Community Responsibility/Participation

- 4.5 As also set out in the 1972 Royal Commission report, social security was considered a **community responsibility** and it was a legitimate function of the state to redistribute income so as to ensure that everyone can live with dignity.
- 4.6 The 1972 report also reported that the aims of the system should be to enable everyone to sustain life and health: “To ensure within limitations which may be imposed by physical or other disabilities, that everyone is able to enjoy a standard of living much like that of the rest of the community, and **thus is able to feel a sense of participation in and belonging to the community**”.
- 4.7 These phrases “welfare of the **community**”, “**community responsibility**” and “**participation in and belonging to the community**” are important clues to how the government of the time viewed the objectives of the social security system. In the Woodhouse Report of 1967, the founding document of the Accident Compensation system, the primary principle of the system was identified by Sir Owen Woodhouse to be “community responsibility”, based on the idea that society benefited materially from the activities of its members and should bear some responsibility for personal injury incurred as a result of that productive activity.
- 4.8 Of course individual responsibility was also important; both systems were, after all, systems of individual entitlement, and targeting and means testing often applied in social security, suggesting that individuals held statutorily prescribed duties of some kind to the State in return for the benefits provided by social security. However, the objectives of the system were plainly seen to be the creation and strengthening of community well-being,

and such objectives were the responsibility of the community, not of the individual.

- 4.9 The idea of participation was not restricted to ensuring a needy individual be given enough money to stave off starvation and afford the barest of shelter. Enabling participation might require enough money to use public transport, to pay for clothes, to buy newspapers, to afford doctors' fees, to pay public school fees. It is very difficult to define at what point a person or a person's family might be said to "participate" in a community, nevertheless the Royal Commission did not pick or choose which recipients of benefits were to be assisted to participate; participation was an appropriate standard for all beneficiaries to attain. Of importance also in regard to understanding the relevant rhetoric is a shift away from using terms to do with measurable, absolute poverty (as might be indicated by use of a poverty line, for example) to referring to "poverty" in relative terms. People in relative poverty are unable to participate in society to the extent discussed by the Royal Commission's 1972 report.
- 4.10 The reports of the Woodhouse and McCarthy Commissions followed, at least to some extent, what has become known as the **social democratic** approach, a political philosophy that exhibits a commitment to collectivism and communitarianism.

Late 1980s and 1990s

- 4.11 These ideas and the terms themselves either disappeared or were changed in usage by new political thinking that underpinned economic and social reform undertaken by Labour from 1984 and also by the National Government upon its election in 1990. The National administration in particular implemented a neo-liberal approach to social policy, supplementing Labour's own neo-liberal economic reforms, and introducing new terms to the New Zealand political language.
- 4.12 The notion of participation retained its importance to an extent within social policy discourse until the end of the fourth Labour Government, partly due to the elevation of the term to a Treaty principle in the 1988 report of the Royal Commission on Social Policy (1984-7) which was convened to consider 'all policy instruments, administration, institutions and systems that were relevant to the needs of New Zealanders'. The Royal Commission elucidated participation as one of three Treaty principles; partnership, participation and protection were important for the development of social policy. In fact much policy work was then done on incorporating the principle of participation in health services, for example as part of the 2002 *He Korowai Oranga – Māori Health Strategy* aimed at improving the engagement of Māori in the health sector.

4.13 Similarly, the 1988 report retains a focus on other important terms, despite the economic reforms being carried out at the same time. For example, The Royal Commission on Social Policy suggested that social well-being involves:

- Dignity and self-determination
- Participation and belonging
- Development of potential
- Fair distribution of wealth and resources
- Tolerance and respect for cultural diversity.

4.14 Much of the potential impact of the 1988 report was largely undermined by the economic reforms of the 1980s and 1990s. The use of the term “poverty” again came to mean the notion of an individual’s absolute poverty rather than his or her poverty in comparison with other levels of society. The objectives of social security were understood to include preventing individuals from falling into absolute poverty, or assisting them to escape such a state, without necessary focus on achieving broader social goals. Accordingly the communitarian language of the previous decades largely disappeared (Cheyne et al., 2005: 166). The new language was used to increasingly refer to welfare as a means of ensuring basic survival and little more. Terms such as “participation”, “belonging”, and “general welfare” became increasingly replaced with terms such as “essentials”, “sufficient assistance” and “genuine need”:

“...the Government reaffirms its commitment to protect those who are unable to protect themselves. It will provide **sufficient assistance** to maintain individuals and families in the **daily essentials** of food, clothing, power and housing at a decent level. Assistance will **be closely targeted on genuine need** and people will be expected to **support themselves** when they have the ability to do so.” Welfare that Works, Shipley 1991 (Cheyne et al 2005.)

1999-2008 Social Development

4.15 When Labour returned to power in 1999, there was a further corresponding shift in rhetoric. Of course, a shift in rhetoric does not always equate with an equivalent shift in policies; and much of the welfare reforms of the National Government were retained. Nevertheless the shift in language did reflect some shifts in policy that were important. As a prime example, the use of the term “social development” became prevalent in New Zealand social policy. This term reflected a concern that had appeared in theoretical debates in the 1980s, 1990s and from 2001 onwards. Once again, the use of the term reflected a move away from a rhetorical and policy-based focus on absolute poverty *towards* a renewed focus on relative poverty. The Ministry of Social Development’s *Social Development Approach* of June 2001 once again identified achieving participation as a key objective of the framework:

Well-being is not simply about access to income and resources. It is also related to health, education, social, cultural, environmental

and political outcomes. For example, well-being includes **free and open participation** in family, wider kinship and community groups. It includes **participation** in formal and informal political processes that constitute governance at all levels in society, and also involves **participation** in cultural processes that create and **sustain individual, group and collective identity**.

- 4.16 Another important term appeared at this time; **“social inclusion”** (Humpage, 2006). The idea of social inclusion, as developed during the 1990s, refers to creating a social security system that aims to “bring in” marginalised members of society who could be said to reside “outside” the mainstream, in the “margins” of society.
- 4.17 The important and problematic feature of the term “social inclusion” is that the term can be seen to presuppose that beneficiaries are socially excluded, and therefore marginalised. Furthermore there may be a conflict however when it comes to determining what Māori see as social inclusion (the ultimate aim of the Social Development approach) and what social inclusion means for the other New Zealanders. For many Māori social inclusion requires an understanding of the cultural identity which defines the notion of social inclusion. Māori experience social inclusion when the gaps are eliminated, but also when whānau, hapū and iwi cultural identity and processes are acknowledged and the Treaty of Waitangi accepted as a framework for Māori/ State relations (Humpage, 2006). On this thinking, Māori would achieve the much vaunted ‘social inclusion’ only when their citizenship rights in common with other New Zealanders were recognised; along with rights only enforceable by Māori such as Treaty and international law protections. (See Chapter 9 for more extensive discussion).

The Primacy of Paid Work

- 4.18 A major difference between the language of the social democratic notions of the 1970s and 1980s and of the first decade of the 21st century was a renewed and intensified focus on the idea of paid employment as a key to achieving the all important goal of social inclusion. This approach has been described as “Third Way” social democracy; a recent manifestation of social democracy, but with aspects arguably developed in response to classic and neo-liberal ideas. “Third Way” politics also therefore focuses heavily on achieving paid employment in order to attain “well-being”. By means of paid employment individuals will then have resources to be able to manage and meet their own needs, making appropriate choices. This new elevation of paid employment to be held up as a fundamental principle of social security was confirmed when the new “purpose” and “principles” section was inserted into the Social Security Act 1964 by section 23 of the Social Security Amendment Act 2007 (2007 No 20). The language of these sections is instructive:

1A Purpose

The purpose of this Act is –

- (a) to enable the provision of **financial and other support** as appropriate
 - (i) to help people to **support themselves** and their dependants while not in **paid employment**; and
 - (ii) to help people to find or retain **paid employment**; and
 - (iii) to **help people** for whom work may not currently be appropriate because of sickness, injury, disability, or caring responsibilities, to support themselves and their dependants
- (b) to enable in certain circumstances the **provision of financial support** to people to help **alleviate hardship**:
- (c) to ensure that the financial support referred to in paragraphs (a) and (b) is provided to people taking into account—
 - (i) that where appropriate they should use the resources available to them before seeking financial support under this Act; and
 - (ii) any financial support that they are eligible for or already receive, otherwise than under this Act, from publicly funded sources:
- (d) to impose administrative and, where appropriate, **work-related requirements** on people seeking or receiving financial support under this Act.

1B Principles Every person exercising or performing a function, duty or power under this Act must have regard to the following general principles:

- (a) **work in paid employment** offers the best opportunity for people to **achieve social and economic well-being**:
- (b) the priority for people of working age should be to find and retain work:
- (c) people for whom work may not currently be an appropriate outcome should be assisted to plan for work in the future and develop employment-focused skills:
- (d) people for whom work is not appropriate should be supported in accordance with this Act. [Emphasis added]

- 4.19 What is striking in the language of these provisions is the obvious lack of terms that had been previously discussed as being important in the delivery of social security outcomes such as participation, and welfare and the like. Instead the terms used are narrowly focused such as “financial support”, “alleviate hardship”.
- 4.20 The term “well-being” does appear in s1B, but as the ultimate benefit of paid employment, rather than as an outcome of social security. S1A and 1B in fact elevate paid employment itself to the status of a guiding principle by explicitly and causally linking the communitarian idea of “well-being” with the attainment of paid employment.

4.21 This strong (indeed unrelenting) focus on paid employment was unprecedented in welfare rhetoric and policy. Of course the attainment of paid employment has always been an important goal of the welfare system, hence the use of work-seeking criteria and work-testing in some form or another for various benefits since the inception of the system in 1938. The notion that well-being can ONLY be achieved through the attainment of paid employment is new. This focus on paid employment, as supported by the rhetoric surrounding welfare and welfare reform has remained critically important to the current National Government's regime. There are, however, consequences for the use of this language. One such consequence is the accompanying de-emphasis of other important principles. For example, while the Long Title of the Act has not been repealed, its role in providing guidance in the interpretation of the legislation has all but disappeared from government discourse.

4.22 An interesting example of rhetorical shift is also present in the Welfare Working Group's (WWG) *Long Term Benefit Dependency* paper: *The Issues* on page 3, where the WWG sets out its own guiding principles:

Principle 1: Recognise the value and importance of paid work to well-being

For most people, paid work is the best means to achieve long-term financial and personal well-being. Therefore, paid work should be the goal of most working-age New Zealanders. **For people permanently unable to work, long-term income support should be provided to enable their participation and engagement in society.**

4.23 Actually the idea of participation does re-emerge here, as an important goal, but *not* for all those who are engaged in the welfare system; only those who are "permanently unable to work". The WWG disavows here any notion that the welfare system *ought* to facilitate any level of participation in society whatsoever for those who do not fall into that narrow category. For that vast majority, work, no matter how precarious, no matter how transient, can be the only conduit to societal participation, and the retreat to the notion that welfare ought only be available to those in absolute poverty is complete.

Freedom

4.24 Also present in the principles outlined by the Welfare Working Group is a focus on the notions of independence and "personal responsibility", linking these ideas to the attainment of personal dignity:

Principle 2: Respect the dignity of people

The dignity of people should be respected. The benefit system needs to empower people to be **as independent as possible** and to have **choice and control over their lives**. It also needs to be responsive to the needs of individuals and families or whānau and the values of different groups.

- 4.25 At the heart of this principle appears to be the concept of personal freedom, a laudable concept indeed. It is important, however, to recognise that there are two important types of freedom that may be relevant here; **positive freedom** and **negative freedom**. Negative freedom refers to the absence of barriers or restraints to an individual exercising choice to undertake a certain action, or pathway. Positive freedom on the other hand is the freedom to do things that are deemed worth doing, for one's own good or the good of one's society. It is a freedom which comes from having greater opportunities and resources. Positive freedom must be treated cautiously; it can be used coercively; ensuring that freedom is extended to individuals or groups only to the extent that those individuals or groups undertake actions that are deemed worthy by oppressive regimes.
- 4.26 The principle stated above appears, on its face, to refer to negative freedom; people should be free as possible from barriers or disincentives within the welfare system that might get in the way of those people being able to exercise their choices and control over their lives. The benefit system ought to be an agent of personal freedom, not a hindrance to it.
- 4.27 When the second principle is read alongside the first, and primary principle, the notion that principle 2 sets out a negative freedom looks difficult to maintain. The normative language of the primary principle: "paid work should be the goal of most working-age New Zealanders" provides a context in which to interpret that freedom.
- 4.28 In fact the type of freedom envisaged in Principle 2 is a positive one; people ought only be free to undertake certain actions that are deemed to be for the good of one's society. In this case the freedom of Principle 2 is, effectively, only the freedom to obtain and retain paid employment in accordance with Principle 1. In this way work is defined and becomes treated as central to the freedom, dignity and autonomy of the individual. Work must be undertaken "for your own good".

Individual responsibility

- 4.29 The term individual responsibility is a well-used term to refer to the power of individuals to make choices for themselves and their dependents. It is a powerful notion, as expressed by Minister of Social Development Paula Bennett (2009) herself:
- "Towards the end of my time at Massey, I realised that my own life had been one that I had built around individual responsibility and taking responsibility for myself, and when I really sat down and thought about the values that would really change other people's lives for the better, I believed that long term dependency on the state was not a way out of hard times and poverty for anyone. And when I got to the bottom line of those sets of values I certainly went in the direction of National."

- 4.30 There is no doubt that a person exercising responsible individualism is powerful and capable of a useful and substantial contribution to the well-being of herself, her family and to society as a whole.
- 4.31 Individual responsibility, however, can be portrayed and promulgated as a kind of disengaged state of nirvana whereby the free individual acts purely with self interest, with but limited attention to the ways in which we are interdependent and linked together in a society. Such an individual is not encouraged or fostered to behave with civic regard for others beyond her immediate circle, or in the interests of her community or society more generally. Neither is such an individual likely to challenge political decisions or directions, unless it is in her self-interest to do so.
- 4.32 In the context of the reform of the New Zealand welfare system, the growing centrality of the notion of individual responsibility will inevitably see growing use of sanctions and punitive measures to enforce such a notion. This has been seen in recent amendments to English welfare law, culminating in the Welfare Reform Act 2009, and new terms to add to the political rhetoric. Collectively, these reforms move further away from the basic social security entitlements that characterized earlier welfare ideals, and towards more disciplinary, contractual, and consumer-based models of service delivery and individual responsabilization.
- 4.33 Clearly, as with the notion of “freedom” above, the notion of “individual responsibility” can a double-edged one.

The language of moral judgment

- 4.34 In addition to the terminology and rhetoric mentioned above a further important type of language is easily distinguishable from current and historical social security discourse. This is the language of moral judgment used against those who are in receipt of welfare benefits, but considered unworthy of such support.
- 4.35 To an extent, moral judgment has always been a powerful tool of New Zealand welfare provisions. Morals testing ensured that the Old Age Pension Act 1898, for example, was only available to those with “good character and sober habits.” Indeed particular, and often outdated, values and ideas of morality are integral to the entire welfare system. It was, after all, a set of strongly held and culturally defined values that enabled the creation of the system in the first place, and reflected practical compassion for the poor, sick and vulnerable of New Zealand society.
- 4.36 Those same values and the changing nature of such values over several decades also provide for moral judgment to be taken over people and actions that are seen to fall outside such values. Added into the mix is the

powerful role that political ideology also plays, which also reflects certain normative ideas as to how the world 'ought' to be, and sanctions for those who fall outside the 'norm'.

- 4.37 It is not difficult to find structural evidence of such moral judgment. The continuing existence of Widows' Benefits alongside identical provisions for sole parents reflects, to some extent at least, a moral judgment that widows must be treated separately to (in the old parlance) "deserted wives" to retain and reflect an understanding that one category of unsupported females raising children is different to another category of unsupported females raising children on the basis of marital status.
- 4.38 In view of the role of moral judgment underpinning the welfare system, it is no surprise that language used in welfare debate is equally value-laden. Such language needs to be understood for what it is, and what it communicates.

Dependency

- 4.39 The rise of an important term "benefit dependency" must also be noted (see also discussion in Chapter 3). The central importance which "dependency" had achieved in the policy political language by the mid 1990s is reflected in four important documents: the Tax Reduction and Social Policy Bill of 1996; Investing in People; the Strategic Results Areas for the Public Sector 1994-1997; and the Strategic Directions produced for the incoming Government in 1996. In Strategic Directions, between pages 17 and 32 where the background papers on income support are written, the terms "dependent" or "dependency" or "self-reliant/self-reliance" were used 45 times.
- 4.40 Alongside the direct attacks on benefit rates and eligibility, the late 1980s and 1990s were characterised by growing identification of beneficiaries as "dependants" alongside a focus on "benefit dependency". The term "dependency" has never been defined and has become a loose and imprecise phrase used to attack and criticise beneficiaries. Often it has been used to imply that all beneficiaries are unnecessarily and inappropriately relying on government assistance rather than being "independent" and self-reliant. The persistent critical use of the word "dependent" has been an important part of the process of treating benefit recipients as "outsiders", "others", people who, it is implied, do not belong in our society. In many respects it has become an acceptable alternative to the more directly critical term, "bludgers".
- 4.41 The term "dependent" has seldom been used in relation to Widows' Benefit, Invalids' Benefit, those in work receiving tax credits and superannuation recipients. This selective use of the term results from the ways in which the critique of 'dependency' is linked to longstanding issues of deserving and undeserving poor.

- 4.42 The notion of 'dependency' has almost universally carried with it an implicit and explicit criticism of beneficiaries themselves and of their reliance on the state for their income support. That criticism has been focused especially strongly on sole parents and on the unemployed in particular, and, to a slightly lesser extent, on those receiving sickness benefit. The term "dependence" is essentially an ideological concept, not a descriptive one, and its use reflects particular ideological constructs, constructs which advance particular interests in the society. The use of the term is very selective in the particular ways in which it has been used, focusing on the "dependency" of some and ignoring a range of other areas of human life in which relationships of dependency also operate.
- 4.43 Dependence is defined and presented as a trait of individual behaviour. It is separated from the wider economic and social context which provides a much more comprehensive and valid approach to the lives and experiences of beneficiaries and the low paid. In addition to the above, the use of the term "dependency" has arguably implicitly linked long-term reliance on welfare with other negative notions of dependency, such as drug dependency or nicotine dependency. In some respects the term "welfare dependency" might have enabled welfare assistance to be more easily seen as a habit that needs breaking, rather than a result of poverty or long-term genuine need.
- 4.44 Within the submissions to the Welfare Justice alternative working group there was also considerable resistance to the term "welfare dependency", especially when used to convey judgment and moral disapproval. People argued that all citizens are *inter-dependent* in a modern market economy, and also all citizens go through different degrees of dependency with different people during our life cycles (for example, parents, schools, employers, medical staff and carers of elderly people).
- 4.45 Some submitters to the Welfare Justice alternative working group suggested that the old labels still used for the benefits have now developed negative connotations, for example suggesting that "Invalid's Benefit" is an unfortunate term, with its negative connotations of helplessness. Two people said that it reminded them that their experience on it is considered "not valid". Some alternatives were suggested ("Inclusivity Benefit" or "Enabling Allowance", for example), but without any general consensus on what might find acceptance.

Public discourse

4.46 Public discourse is an ongoing source of the language of moral judgment when it comes to those in receipt of benefits from the welfare system. Any perusal of letters to the editor or comments in the blogosphere can uncover some choice examples.

4.47 Of considerable importance is the language used by political leaders within the current welfare reform climate. A number of submitters made comment about two observations made by the Hon Paula Bennett and the Prime Minister, the Rt Hon John Key:

“If someone genuinely can’t find work in 12 months, they’ll be able to demonstrate their job search when they reapply. If a real, demonstrable effort has been made, their benefit will be reinstated. If not, well I’m afraid the dream is over.” Paula Bennett (Volume:661;Page:9751)

We believe in a welfare system that supports people when they are most in need, encourages them to get back to work, and occasionally gives them a kick in the pants when they are not taking responsibility for themselves, their family, and other taxpayers. <http://www.johnkey.co.nz/archives/910-Prime-Ministers-speech-notes-on-benefit-reform.html> 23 March 2010.

4.48 As stated in one submission, such observations cause hurt and suspicion among those who feel targeted by such moral judgment.

The Prime Minister and Minister of Social Development used punitive language to launch the Future Focus policy, such as that referring to beneficiaries needing “a kick in the pants” and “the dream is over”, and the Minister said at the Welfare Working Group forum that she expected an “ugly” debate. We were not alone in fearing that this referred to a debate in which stereotypes and stigmatising of beneficiaries was likely to occur.

4.49 In our view such seemingly intemperate, but clearly calculated language from political leaders of any political persuasion is unwarranted. It may be politically useful to be seen in the public eye to be “doing something”, even taking a “moral stance” in the face of what has been described as “a crisis of welfare dependency”. However, the people who are the subject of these comments, either in reality or by popular assumption, are no more mere “welfare dependants”, or “dole bludgers” than West Coast loggers, under

the previous administration were accurately described as “feral” or Māori protesters as “haters and wreckers”. Language can never be value free, and nor should it be, but values can be expressed judiciously, fairly, even strongly in public debate. Public language ought to be used by political leaders and opinion leaders as an tool of honest communication, without recourse to terms that, when used as above, are intended to excite moral judgment and prejudice for short-term gain.

- 4.50 To briefly conclude – the language used in the welfare reform debate is critically important as it reveals much about the goals and objectives of the current administration. This language also reveals much about community values and preoccupations. Language can indeed, to hark back John Key’s observation at the start of this chapter, be a kind of “magic wand”. We ask that those carrying out the welfare reform bear in mind the power of rhetorical discourse, not only in what it reveals of political intent, but also because of what it imposes or forces upon those who are the subject of such language.

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CHAPTER 5

WORK AND INCOME – THE CURRENT WELFARE SYSTEM IN PRACTICE

Introduction

- 5.1 Many of the problems of the welfare system emerge at points where law, regulations and policy are translated into the lives of ordinary people. There have been, regrettably, many instances in recent decades whereby the purposes of legal instruments such as legislation and Ministerial Directives have been frustrated by the ways in which these instruments are implemented. In addition the principles underpinning the welfare system have been neglected in the implementation of the same system.
- 5.2 The ongoing complexity of the law has been acknowledged by previous governments. In its *Ministerial Briefing Papers* 1996, the Department of Social Welfare's Social Policy Agency described the 1964 Act in the following terms: "The Social Security Act was last consolidated in 1964. The present legislation is unnecessarily complicated, extremely complex, lacks consolidation with other legislation, is difficult to use and contains a number of weaknesses and redundant sections." (13) The complexity in the legislation and policy is consequently reflected in the implementation of the system. There is not space here for a full description and critique of every detail of how New Zealand's welfare law and regulation system is applied in practice. However, we will provide a snapshot of three key areas which, based on our experience and on the submissions we have received, we believe are in urgent need of reform:
- Some critical issues arising from external policy directives such as benefit levels
 - Internal matters within Work and Income such as office culture and management systems
 - Inconsistency between welfare law and the way in which this law is implemented by Work and Income.

The purposes of our welfare system

- 5.3 Before addressing these areas, it is important to identify the purposes of the Social Security Act 1964, and how those purposes have been interpreted within the courts. Only a full understanding of the purposes of welfare legislation can assist in the proper and effective implementation of it. As mentioned elsewhere in this report, the Courts have had the task of interpreting the purposes of the Social Security Act 1964. On the one hand the legislation is seen as providing for the financial needs of the disadvantaged; and on the other hand the legislation is also seen as a means of protecting the public purse.

- 5.4 As an example of the first strand, in the famous *Ruka* case Richardson P and Blanchard J stated: "The concern of the legislation is with the provision of financial help for people who for one reason or another could not be expected to support themselves" (*Ruka v DSW* [1997] 1 NZLR 154, 161, CA). In the case of *Hall v D-G SW* [1997] NZFLR 1,12, the High Court observed that the administration of a welfare system should not impede the implementation of it, stating that the Director-General of Social Welfare "should be pro-active in seeing to welfare and not defensive or bureaucratic".
- 5.5 As an example of the second strand of thinking, in the case of *Nicholson v DSW* [1999] 3 NZLR 50, 58, CA, the Court of Appeal paid more heed to the imperative of economic efficiency, stating that the relevant statutory object was actually "...providing for the efficient administration of social welfare benefits and protecting the public purse." By 2001, however, both of these strands were combined in the important case of *Chief Executive v Vicary* [2001] NZAR 628: "The concern and purpose of the Act is to aid those who truly are in need of financial assistance in a way that is administratively efficient and not wasteful of public funds. Those considerations have to be balanced..."
- 5.6 In the only higher court decision to substantively consider the new purposes section 1A, the High Court has followed the balanced approach. Taking into account the wording of 1A(c)(ii) the Court observed: "Thus, the whole purpose of the Act is to provide assistance for those in need of financial support, taking into account support received from other sources" (*Goh v CE of the Ministry of Social Development* 30/06/09 per Asher J, HC Auckland CIV-2008-485-2391). As shown in this case the consideration to be paid to ensuring administrative efficiency and that public funds are not wasted must not be privileged above the imperative to provide effective financial assistance to those truly in need of it.
- 5.7 Some of the problems of implementation of the welfare system derive from policy directions set out by respective governments such as regulations and Ministerial Directives; other problems derive from actions and decisions taken by case-managers in keeping with internal policy instructions such as those in the current Manuals and Procedures (MAP).

External policy directives

- 5.8 Policies imposed by government, as expressed in instruments such as legislation, regulations and Ministerial Directives, have severe consequences for beneficiaries and their dependants.
- 5.9 *Benefit levels and applications:* In view of the purpose, the level of benefits and the aid that such benefits actually provide is critically important. If benefits are set too low, the benefits will fail to fulfil the purpose of the legislation. Policy changes since 1990 have lowered the level of income

support. The 1991 benefit cuts reduced all benefits except superannuation by 10 per cent to 25 per cent, saving the Government approximately \$1.3 billion per year (McGurk, 2008, p. 13). The explicit goal of the Government of the time was to create a greater gap between wages and benefits. Since that time no Government has restored benefits to their pre-1991 equivalent levels. Working age benefit rates are set each year through indexation to the Consumer Price Index, resulting in lower increases each year than superannuation, which is aligned to a minimum of 66 per cent of the net average wage. Examples of current base benefit rates per week at October 2010 are shown in Table 5.1.

Table 5.1
Base benefit rates per week at October 2010

Benefit	Per Week
Single 19 year old on unemployment benefit, away from home:	\$161.76
Single person 25 years + on unemployment or sickness benefit:	\$194.12
Married couple on sickness or unemployment benefit:	\$323.52
Sole parent on DPB:	\$278.04
Married couple on invalids benefit:	\$404.40
Single person on superannuation, 'M' tax code, living alone:	\$327.14

5.10 Even a small sample like this illustrates several key features of our welfare system. Firstly, the amount people on working age benefits receive each week is very low in absolute terms. Evidence from social service agencies, research groups like Child Poverty Action Group and others, and from submitters, has shown repeatedly that poverty among beneficiaries has continued to increase ever since 1991, and that the children of beneficiary parents are disproportionately raised in poverty (see, for example, many resources on the Child Poverty Action Group website <http://www.cpag.org.nz/resources/links/>). Many beneficiaries across New Zealand continue to struggle on a daily and weekly basis to adequately feed, house and clothe themselves and their children. Benefit rates which are simply too low to live on are a major contributor to rising debt to Work and Income and to private lenders, foodbank use, and to health, employment and educational disparities. While beneficiaries are eligible to claim various complex forms of limited additional assistance, this does not, in many cases, bring peoples' incomes up to levels on which they and their dependants can survive with dignity.

5.11 *Disparities and inequities:* Secondly, the sample of benefit rates given in Table 5.1 above also reveals just some of the many disparities in how benefit levels are applied. For example, young people aged 18-24 on the

sickness and unemployment benefit receive these at a lower rate than those aged 25 and over. Those on Sickness and Unemployment Benefits and the Domestic Purposes Benefit (DPB) receive lower rates of payment than invalid beneficiaries. Superannuitants are protected by the indexation to the net average wage and the 66 per cent floor, and receive substantially more than even Invalid's Beneficiaries. Plans by the Labour Government in the 2000s to move to a single core benefit with one set of rates and one lot of eligibility criteria for working age beneficiaries never came to fruition, and the current complex and at times irrational system continues. In addition, Labour entrenched a different type of structural discrimination into the benefit and tax system with its Working for Families package in 2005, which applies the In Work Tax Credit only to those children whose parent(s) work in paid employment for at least 20 hours for a sole parent, 30 hours for others.

- 5.12 *Work testing requirements extended:* As noted elsewhere in this report there have been substantial changes to the role of paid employment, whereby the attainment of paid employment has now become a fundamental principle, and indeed a purpose of the legislation. Most New Zealanders accept the idea that people who are unemployed and getting the dole should be ready and able to look for work, and to take up any reasonable offer of employment they receive. 'Work testing' is the way in which Work and Income judges whether someone is eligible for the unemployment benefit or not. From September 2010 the 'Future Focus' amendments mean that other groups of beneficiaries are going to be work tested, including people on the DPB once their youngest child turns 6, and Sickness Beneficiaries who are assessed as being capable of some employment. There is also anecdotal evidence of increased pressure on Invalid's Beneficiaries to comply with departmental pressure to apply for at least part time paid employment. These changes are creating anxiety among many beneficiaries who are already under considerable pressure, whether it is because they are coping with raising children on their own, or because they are sick, injured or disabled and find that the paid work expectation actually intensifies the health problems from which they already suffer.
- 5.13 *Benefit review and appeal processes:* Beneficiary advocates and beneficiaries themselves have longstanding concerns about the inadequacy and unfairness of Work and Income's review and appeal systems. The Benefits Review Committees (BRCs) to which claimants challenge decisions with which they are dissatisfied consist of one member appointed by the Minister of Social Development and two Ministry of Social Development (MSD) staff members. While the person appointed by the Minister may theoretically be more objective, they are always outnumbered by the two staff, leading to a widespread perception that the BRCs are biased. This perspective has been

reinforced by a recent Supreme Court judgment, the *Arbuthnot* case, which reversed a previous understanding that the BRCs carry out a quasi judicial function, and instead ruled that their role is simply administrative. There are other problems with the BRCs, too, including concern about the length of time people have to wait for decisions, the quality of decisions, and at times a lack of information about processes and results. There is no independent appeal process available at this first level of challenge, and an appeal to the Social Security Appeal Authority is only available to people after a BRC decision is made against them. This causes undue delay in beneficiaries gaining the opportunity to judicially challenge adverse decisions.

- 5.14 *Steady reduction in discretionary assistance:* Discretion has been an important feature of the social security system in New Zealand, from the passage of the Social Security Act 1938. In a broad sense discretion can be understood as an area of decision-making where: "The effective limits of power under the relevant provision leave the decision-maker free to make a choice among possible courses of action or inaction" (Davis, cited in Adler and Asquith, 1981, p. 9).
- 5.15 It is widely understood that the so-called "first tier" of benefits provide categories of entitlement whereby payments are made when certain objective criteria are met. "Second tier" benefits can be described as those benefits where "add-ons" or "supplements" are payable, again by determination as to whether the objective criteria are met. In contrast to the previous two "tiers", the last of "third tier" benefits are highly discretionary, including the Emergency Benefit, Special Needs Grants and the Special Benefit which were designed to assist beneficiaries in need with unusual circumstances. This description of discretionary tiers arises in cases such as *Ankers v Attorney-General* [1995] 2 NZLR 595. As stated in the McCarthy report of 1972 (Chapter 25): "The supplementary assistance scheme is a necessary and desirable feature of our social security benefit system. It gives to the administration of welfare policy a flexibility which no amount of refinement of categories of standard benefits can otherwise offer. Nor will any adjustment of standard benefit levels remove the need for it."
- 5.16 Despite the need for discretionary provisions, over recent years such provisions within current supplementary benefits and entitlements have been effectively stripped back and replaced with "rules-based", more prescriptive provisions. The leading example of this substitution is the 2006 substitution of the Temporary Additional Support programme (TAS) under s 61G of the 1964 Act for the highly discretionary Special Benefit under that section. This major change in social security legislation calls into question the ability of case managers to be able to respond effectively to the true, changing needs of beneficiaries.

- 5.17 From the time of the 1991 benefit cuts onwards, one of the only things that enabled beneficiaries to get by was eligibility for the Special Benefit, which was designed to help people where there was a large gap between the basic benefit and essential outgoings necessary for survival. As Graham Howell points out in his submission to the Welfare Justice alternative working group, the steady erosion of beneficiary income relative to the true costs of living meant that “by 2000 90% of beneficiaries were technically eligible for the Special Benefit, making its name ill-placed” (see Howell, 2010, p. 2). It was therefore a huge blow when the Labour Government abolished the Special Benefit, replacing it with TAS from April 2006. The TAS system changed the way in which third tier supplementary assistance was calculated by moving from a primarily discretionary regime to a rules-based regime and put a cap on certain entitlements, meaning that many people were worse off, some substantially more so, than they would have been had the Special Benefit continued. A further major reduction in discretion has just been implemented through the National Government’s so called ‘Future Focus’ legislation, which provides for even further regulation, rather than discretion, in the provision of advance payments of benefit in cases of hardship.

Internal issues of implementation

- 5.18 *Intrusion in peoples’ private lives:* One of the main ways in which life on a benefit differs from that of other citizens is the way in which Work and Income’s processes intrude into the most intimate aspects of peoples’ private lives. People who have never been on a benefit before are often stunned to discover that the State, through the MSD, has the right to demand information, visit homes, and use all the resources at its command to discover the details of one’s relationships, sex life, physical and mental health, and finances. Work and Income also has extensive information sharing programmes with a large number of other Government departments. Probably the most contentious and difficult area is that of defining ‘relationships in the nature of marriage’ – whereby Work and Income makes judgments that are affected by and impact on the most personal aspects of beneficiaries’ lives.
- 5.19 *Welfare and domestic violence:* One of the most concerning issues we discovered during the course of meetings and submissions was repeated reference to Work and Income’s attitude towards victims of domestic violence. Despite the ongoing campaigns run by the MSD itself against violence in the home, Work and Income case managers continue at times to use the regulations around ‘relationships in the nature of marriage’ to further oppress and endanger women victims of violence and abuse, including not recognising the validity of protection orders. We also heard of 16 and 17 year olds who had left home because of violence inflicted upon them, but who were deemed ineligible for the Independent Youth Benefit because their parent(s) refused to sign the necessary forms.

- 5.20 *The culture of Work and Income:* During the course of the public meetings held around New Zealand in August-September 2010, members of the Welfare Justice alternative working group were struck repeatedly by the intense feelings of anger and despair expressed by many of the people who have to deal with Work and Income on a regular basis, either as claimants or advocates. Detailed comments are reported in *What We Heard* (Welfare Justice, 2010). The overall impression was that while some people do have positive experiences with Work and Income, many others feel the MSD has become more harassing and intimidatory in recent times. This does, in part, reflect changes in law and policy, for example through the implementation of the recent 'Future Focus' amendments, but may also be occurring as a result of changes in organisational and management culture, and a cost-cutting ethos emanating from Cabinet imperatives, which in turn undermine the overall purpose and principles of the welfare system as discussed in the first part of this chapter.
- 5.21 *Staff attitudes – inconsistency:* There is a sense that while some front line Work and Income staff do a great job, others display judgmental qualities, which make people feel as though they are disrespected and despised in their interactions with the MSD. There are repeated reports of staff using their positions of comparative power to deliberately humiliate beneficiaries, for example by abusing them about aspects of their personal lives and health status. We heard reports of beneficiaries 'shopping around' for offices and staff who show respect and empathy for claimants, rather than the reverse. We also heard reports of people not applying for assistance because of their previous experiences with administration of the benefit system. In regards to the application of work testing regimes, there is also a pattern of inconsistency, in which some people are targeted with extreme and repeated pressure, while others remain comparatively untouched. There appears to be an absence of consistency and quality control from the MSD in terms of its expectations of staff.
- 5.22 *Access to full entitlements:* Many individuals and groups complain that there is still no guarantee that claimants will be advised of – or granted – their full benefit and other entitlements, despite repeated assurances from the Chief Executive to Parliament that this is in fact what is expected from Work and Income staff. Some offices and staff are acknowledged for doing their best in this regard. However, it is felt that others see their job as ensuring people receive the least amount of income support possible, or none at all. As a result, a lingering suspicion that staff are paid bonuses for keeping benefit payments as low as possible still permeates the beneficiary community. This concern has been heard before. Annex G of the *Hunn Report* (2000) outlined concerns of some advocates who stated that they felt staff had been getting [key performance indicator] 'points' for reducing benefit or emergency payments.

- 5.23 *New management systems: Lean Six Sigma:* There are deep concerns about the recent introduction of the Lean Six Sigma management system to Work and Income offices. From a beneficiary's perspective, the new 'Lean Six Sigma business improvement method' (Ministry of Social Development, 2010) may have delivered value for money for the Government, but for most people on the receiving end it has meant the loss of individual case managers, meaning that people have to tell their personal story over and over again to different staff each time they have an interaction with Work and Income. There are also concerns about people having to wait for lengthy periods to be seen, and staff not ensuring that people get the documentation they need in a timely way. There is a recurring theme of lack of privacy, with open plan office arrangements leading people to feel hurt and angry that they have to answer questions about the most personal aspects of their lives in full public view and hearing. While theoretically applicants are offered the chance of choosing to deal with staff in private, people are often either not aware that this is an option, or do not feel able to ask for it. The presence of security cameras and security guards in offices also contributes to a feeling of intimidation and unease.
- 5.24 *Staff training and support:* For decades there have been concerns from beneficiary advocacy groups, unions and from Government itself about the chronic difficulties facing the front line staff who administer New Zealand's welfare system. The *Hunn Report* (2000) provided an excellent summary of the problems, including the ongoing issues staff face in administering an increasingly complex and ever-changing legal and regulatory framework. Some of the issues which are still coming through in 2010 include: (i) staff need more and better support and training; (ii) staff selection processes should be more rigorous, and include a preference to employ people who demonstrate skills in areas like listening, empathy and the ability to work in a non judgmental manner with people from a very diverse range of backgrounds; and (iii) Work and Income frontline staff deserve higher wages and better conditions of employment. The next major section of this chapter will provide some analysis as to how staff are still being given incorrect guidelines with which to apply welfare legislation.
- 5.25 *Beneficiary advocacy groups:* There are a range of community-based organisations providing beneficiary advocacy services around New Zealand. Some groups have a specific focus on this area of work (for example, the Wellington Peoples Centre, the Beneficiaries Advocacy and Information Services on Auckland's North Shore, the Rotorua Peoples Advocacy Centre, the Christchurch Beneficiary Advisory Service, and a number of others); other organisations provide beneficiary advocacy as a part of broader work they do, for example some budgeting advisory services, church social service agencies, and others. Some of the issues raised by and about beneficiary-specific advocacy groups during the course of compiling this report include:

- An ongoing lack of stable and sufficient funding support for services which are actually vitally important, not only to the people they assist on a daily basis, but also to Work and Income itself. The increasing complexity of cases which advocates deal with, and deepening beneficiary stress arising from legislative changes and long-term income inadequacy accentuate the need for adequate, sustainable resourcing of quality beneficiary advocacy.
- Big gaps in the availability of services in some parts of the country. For example, even Auckland has only two dedicated beneficiary advocacy groups, completely inadequate to service a region of its size; and centres like Hamilton, Palmerston North and Dunedin have no group at all.
- The inherent contradictions raised by the direct involvement of some beneficiary advocacy groups in regular consultation processes with the MSD in Wellington.

Failure of alignment between legislation and internal policies

- 5.26 Internal policy guidelines are an essential part of the administration of the welfare system. Problems have been seen to arise, however, when internal policy guidelines have been privileged at the expense of the enabling legislative provisions. This was a recurrent theme in the *Hunn Report* of 2000 into the Department of Work and Income. In Annex G, the advocacy groups were reported as stating that “restrictive interpretation of policy” was a significant policy implementation issue: “This seemed particularly an issue in areas of greater discretion such as emergency assistance and Special Benefit. Advocates talked about this happening at several levels – between the legislation and documented policy guidelines and between policy guidelines and training/operational practice. Their view was that this resulted in restriction of policy so that the discretion or flexibility in the legislation has not been applied by front-line staff.”
- 5.27 In the 10 years since the *Hunn Report* some of the more obvious discrepancies as exposed by cases such as *Ankers* and *Ruka* have been resolved. However, in our own review of existing guidelines discrepancies still exist which are a cause of great concern. A case study (SSAA Decision no 50/2007, which is available online at www.nzlii.org/nz/cases/NZSSAA/2007/50.html) can provide an effective illustration.
- 5.28 This decision, by the Social Security Appeal Authority (SSAA), concerned an applicant who was dismissed from his employment on the basis of misconduct. It is worth exploring this case a little for the insights it affords, and also to allow us to see what changes, if any have been made to the current policy and operational guidelines, made available on the website of the MSD (www.workandincome.govt.nz). The Social Security Act 1964 provides for the imposition of a 13-week stand-down where section 60H(3)

applies. As can be plainly seen below, a stand-down applies in the case of dismissal for misconduct:

- (3) This section applies if the chief executive is satisfied that a person referred to in subsection (2)-
 - (a) has voluntarily become unemployed without good and sufficient reason; or
 - (b) [...]; or
 - (c) has lost his or her employment because of misconduct as an employee;

- 5.29 It was accepted by the SSAA that misconduct had occurred, albeit one at the lower end on the scale of seriousness. The applicant then approached Work and Income applying for an unemployment benefit. On his initial contact he was informed by the case-manager that he may be subject to a stand-down on the basis of being “voluntarily unemployed”, an assessment that was clearly erroneous and repeated during the review and appeal process. As seen above, under section 60H(3)(c) the applicant was not “voluntarily unemployed”, which is separately provided for under section 60H(3)(a) As observed by the SSAA: “[37] As a result of a further incident in which the appellant left his position as a store greeter half an hour early in August 2006 he was dismissed. It is difficult to understand why the case manager states that the appellant was voluntarily unemployed in her letter to the appellant and report to the Benefits Review Committee.”
- 5.30 Section 60H of the Act provides for some exceptions to a general rule that a 13 week stand-down will be applied in the case of unemployment due to misconduct. The exceptions are important ones, and the SSAA sets them out clearly, two of which were relevant to the facts of this case: “[32] There are certain specific exceptions to this regime which overcome the 13 week non-entitlement period...” “[33] ... s.60H(6)(a) gives the Chief Executive a discretion not to impose a non entitlement period. The discretion conferred is a wide one.” “[34] A further option is available to the Chief Executive. Section 60H(6)(b) provides that a benefit may be paid where a person takes proceedings in the Employment Tribunal on the basis that if the misconduct is proved in the Employment Tribunal then the applicant must repay the benefit in the discretion of the Chief Executive.”
- 5.31 Despite the existence of these exceptions no evidence could be found that either exception was discussed with, or communicated to the applicant. In argument before the SSAA, Work and Income stated that: “[27] (i) Once the Chief Executive is satisfied that a person has lost their employment due to misconduct the Chief Executive is obliged to impose a stand down unless one of the exceptions applies. The appellant did not take proceedings in the Employment Tribunal and therefore the exception contained in s.60H(6) does not apply in his case.”

- 5.32 It is important to note there that Ms Burchfield, on behalf of the Chief Executive alludes here to section 60H(6)(b) *but makes no mention whatsoever of the Chief Executive's broad discretion to not apply a stand-down at all under section 60H(6)(a)*. This is a clear and simple failure on the part of Work and Income to take cognisance of its own legislation. In fact, there was more than one failure to inform the applicant of the options available to him, as stated by the SSAA: "[42] There were in fact options for assistance available. The appellant's case manager ought to have told him about the possibility that if he took proceedings in the Employment Tribunal a benefit could be paid pending the outcome of the proceedings." "[43] We fail to understand why he was not told of the possibility of food grants under the Special Needs Grant Programme prior to October. Of particular concern is the apparent failure to consider exercising discretion under s.60H(6)(a)."
- 5.33 *The role of policy guidelines:* This case provides some good examples of how internal policy guidelines given to case managers can differ significantly from the legislative provisions themselves. The current Manuals and Procedures (MAP) provisions with regard to the imposition of stand-downs under s60H reveal significant inconsistencies.
- 5.34 *First inconsistency between legislation and MAP:* While section 60H is headed "Voluntary unemployment or loss of employment through misconduct" the MAP does not differentiate between the two conditions, and states: "Voluntary unemployment is when a client with work obligations has left their job, without a good and sufficient reason, or has been dismissed for misconduct." In fact, while the SSAA above stated it was "difficult to understand why" the case-manager described the applicant as being "voluntarily unemployed" it becomes easier to understand when one sees the guidelines the case-managers work by. The SSAA acknowledged how an applicant sacked due to misconduct would find it difficult to accept he had chosen "voluntary" unemployment: "We cannot discount the possibility that the appellant's agitation was exacerbated by the case manager suggesting that he had become 'voluntarily' unemployed, and the failure to offer any assistance when he lacked money to pay for food and shelter."
- 5.35 *Second inconsistency between legislation and MAP:* As noted above section 60H(6)(a) provides for a broad discretion for case managers to decide not to impose the 13-week stand-down. There are no qualifications to this discretion, and it may be presumed that it exists for cases such as this, where the misconduct was minor, and the imposition of a stand-down may well have created hardship out of all proportion to the original misconduct that led to the unemployment. The MAP guidelines entirely misrepresent the nature of this discretion: "A 13 week non-entitlement period can be imposed if a work obligated client has lost their job because of misconduct. There is discretion to waive the non-entitlement period where

exceptional circumstances exist." In fact, no mention is made in section 60H that exceptions referred to above can only be applied in "exceptional circumstances": In this instance mention is made of the case manager's discretion under section 60H(6)(a) but case managers are advised they can only use this discretion under exceptional circumstances. This is plainly wrong.

- 5.36 *Third inconsistency between legislation and MAP:* In the years since this decision was issued it appears that the guidelines pertaining to the imposition of the stand-down in the case of misconduct have been altered to reflect the position that only serious misconduct should trigger the imposition of the stand-down: "For a client with work obligations to lose their job through misconduct their actions must have seriously breached the contract of employment such that the employer is not bound to continue the employment." While this would have been helpful for the applicant in this case (and perhaps the changes reflect this case) there is no justification for interpreting the "misconduct" in section 60H as referring only to serious misconduct when the discretion in section 60H(6)(a) can plainly be used to decide against the stand-down in such cases. The discretion is there, but the case managers are given incorrect guidelines on how to use it, or told to interpret the bare words of the statute in such a way that the discretion is ignored altogether,

(A brief) conclusion

- 5.37 This chapter reflects our concerns that government policy, legislation and the internal administration of the welfare system continues to cause significant damage to beneficiaries and applicants. There are ongoing failures to meet the purposes of the welfare legislation, ongoing failures of government policy to provide a system that delivers assistance to those who need it, and there are ongoing failures, even 10 years after the *Hunn Report*, to instruct and train case managers in the law that governs their actions. If the Welfare Working Group is to achieve a "fundamental review" of the welfare system, we consider that the matters raised in this chapter must not be ignored.

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CHAPTER 6

INTEGRATED SOCIAL SECURITY

Introduction

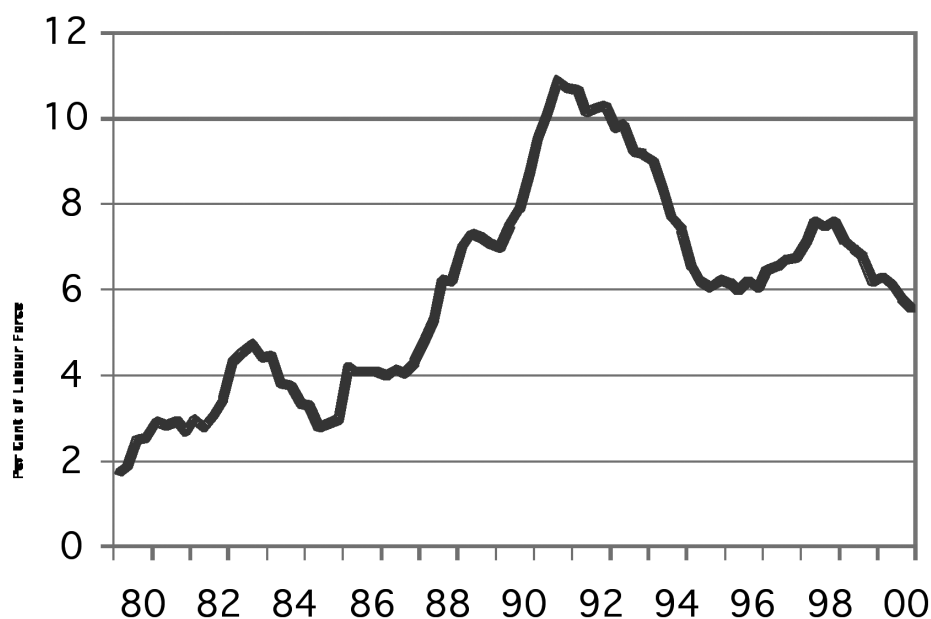
- 6.1 From its earliest days at the end of the 1930s, social security in New Zealand has been built on five major planks: full employment, accessible education, affordable housing, quality healthcare and adequate income. A range of public policies is available for the last of these five items, including minimum wage legislation, New Zealand Superannuation, Accident Compensation (ACC) and social welfare income support. Thus social welfare is only one part of the overall social security system. To be effective, a review of social welfare needs to consider how social welfare impacts on, and is itself affected by, other components of the overall system. The Welfare Justice alternative working group is very concerned that the Welfare Working Group (WGG), by not considering this overall context, is failing to fulfil its mandate of a 'wide ranging and fundamental review of New Zealand's welfare system'.
- 6.2 The importance of analysing social welfare in its wider context can be illustrated with an analogy. An engineer designed and built a powerful engine, but was worried that it was prone to overheating. The engineer therefore attached a thermometer, checked daily. The design worked well, so well that as the years went by the thermometer's original purpose was forgotten. One day, the temperature recorded by the thermometer rose sharply. The engineer was concerned that this might damage the thermometer, and so placed a fan directed at the thermometer to keep the instrument cool. There was some respite, but the temperature soon began to rise again. This time the engineer attached an ice-making machine to the engine and placed its thermometer in the ice. The thermometer's recorded temperature fell back to the normal level. The engineer expressed his satisfaction with this outcome when the engine overheated and was damaged beyond repair.
- 6.3 The point of the analogy is that problems identified in social welfare may be caused by problems in *other parts* of New Zealand's social security system. An increase in the number of residents who are receiving long-term income support, for example, may have little to do with social welfare policy per se, but may be due to other factors such as a high percentage of young people becoming disengaged from education. The Welfare Justice alternative working group heard again and again that the primary factor driving the recent increase in the number of people receiving benefits was the loss of jobs caused by the global financial crisis.

- 6.4 The Welfare Justice alternative working group notes that the Government in 1991 introduced benefit cuts and other changes in what was described as a major reform to make social welfare 'fair and affordable' (Richardson, 1991, p. 7). Like the current review, that reform did not consider social welfare in its wider context of the overall social security system. Despite their severity that caused great hardship, the 1991 benefits cuts clearly failed: 20 years later we are asking the same questions about fairness and affordability. More draconian changes to social welfare may be proposed, but these would again only suppress symptoms unless we address the deeper problems that are restricting opportunities for New Zealand residents to earn adequate income in good employment.

Full employment

- 6.5 The design of New Zealand's welfare state in the late 1930s was based on the premise that Government policies could maintain full employment. At the time this was understood to mean the full employment of *men* and to be possible by public policies intended to stimulate aggregate *demand*. Neither of these understandings is accepted today: women also place great weight on paid employment for their social security (see Chapter 7) and growth in demand will stimulate inflation, not employment, if it is not matched by growth in the economy's supply-side capacity to produce.
- 6.6 Given the importance of full employment in achieving social security, it is important to recognise the significant change in New Zealand public policy that occurred in the 1980s and 1990s, whose effects are still being felt today. The new Government in 1984 accepted that economic policies aimed at maintaining aggregate demand growth and full employment had failed, contributing to New Zealand slipping behind other OECD countries in economic prosperity. The Government initiated a decade of economic reforms, accepting this would involve a short-run rise in unemployment.

Figure 6.1
Seasonally Adjusted Unemployment Rates in New Zealand, March 1980 –
December 2000



Source: Household Labour Force Survey (after 1986). The estimates before 1986 come from Chapple (1994).

- 6.7 Figure 6.1 records that the impact on unemployment was enormous and hardly short-run. By the middle of 1986, the rate of unemployment was four per cent. In 1988, it jumped to six per cent and reached eight per cent by the end of 1990. A second wave of reforms by another new Government drove unemployment above 10 per cent, peaking at 10.9 per cent in the September quarter of 1991. There was a strong recovery in 1993 and 1994, but the rate of unemployment was still above six per cent at the end of 1999.
- 6.8 Unemployment above six per cent (let alone 10 per cent) was beyond any experience in New Zealand since 1938. The persistence for more than a decade of unemployment so abnormally high for the country was beyond any experience in any OECD country in the 20th century. Further, the national averages do not reveal the full economic and social distress felt by particular suburbs in the main cities, and by particular towns in the regions where the reforms had their largest impact. Māori and Pasifika unemployment rates, for example, rose above 25 per cent; that is, to levels associated with the worst year of the Great Depression.
- 6.9 What might be the impact of a decade of high unemployment concentrated on particular communities? The WWG (2010, pp. 24-25) has provided an answer: "The loss of social and professional contacts in the workplace can result in poor health, family violence and social exclusion. The stress generated by joblessness is associated with medical problems that are

linked to lifestyles involving poor diet and/or excessive consumption of alcohol. The Royal Australasian College of Physicians' position statement notes that psychological distress may occur in children whose parents face increased economic pressure, sometimes resulting in withdrawal, anxiety and depression in the children, or aggressive or delinquent behaviour and substance abuse." For people with few economic reserves, extended unemployment and low income cause stress, resulting in poor health that further limits their capacity to work. The high unemployment accepted by policymakers in the 1980s and 1990s triggered this negative spiral for many New Zealand households.

Education

- 6.10 Chapter 7 discusses how labour market skills are created by matching individual abilities, education investment and employment opportunities (Figure 7.3). Consistent with these ideas, important characteristics of lifelong learning are: *discovering* individual abilities; *disciplined training*; and *displaying* qualifications. People who become disengaged from learning as a result of missing out on one or more of these characteristics, especially at an early age, are inevitably disadvantaged in accessing paid employment opportunities. Lifelong learning begins, of course, with early childhood education and formal childcare. Chapter 7 comments that cost in this sector is very high for some groups (especially lone parents on a low income) compared to other countries.
- 6.11 During the work of the Welfare Justice alternative working group, the President of the New Zealand Principals' Federation, Ernie Buutveld (2010), released an opinion piece that included the following comments on young people struggling in primary schools: "There is a small number of children in our schools who are struggling – for all sorts of reasons. The number varies. The Minister of Education believes the number is one in five. This is still just less than the OECD average of 21%, but significantly higher than the numbers cited by educators and leading academics, who agree the reality in our primary schools is more like 15-16%."
- 6.12 There are about 400,000 primary school students in New Zealand, so that even the lowest figure of 15 per cent suggests 60,000 young people struggling at primary school. The Welfare Justice alternative working group suggests this is a *large* number, especially if significant numbers of these students become disengaged from education so early in their life. We are aware of programmes seeking to improve education outcomes, including initiatives arising out of the Taumata Whanonga conference in 2009 (www.nzei.org.nz/Taumata+Whanonga+2009.html). Chapter 11 shows that New Zealand has 30 years to address its social welfare problems, so the Welfare Justice alternative working group recommends that public policy should

devote more resources to meeting the educational needs of these primary school pupils as an effective way of reducing the number of people who go on to receive welfare benefits for lengthy periods later in their life (see also MacCormick, 2008).

- 6.13 A presentation to the WWG by a Director at the Manukau Institute of Technology, Stuart Middleton (2010, Slide 3), cited the following statistics about New Zealand education: 4,500 students leave primary school but do not enter a secondary school; 4,000 students are excluded each year (unless the Ministry of Education intervenes); 30,000 secondary truancies occur per day; and 20 per cent of students disappear from education by the age of 16.
- 6.14 As is well known, the education system is failing to meet the education aspirations of Māori and Pasifika students compared to other students. This is illustrated in Table 6.1, which analyses the highest qualification of school leavers in 2008 (the latest year for which data have been published). Summing the last three categories, for example, just under 30 per cent of Māori students, and just over 20 per cent of Pasifika students) who left school in 2008 did so without an NCEA Level 1 qualification (compared to 15 per cent of the total population of school leavers).
- 6.15 A result of widespread disengagement from learning by young people is that New Zealand has a particular problem with young people aged 15-19 not in education, employment or training (NEET). This is shown in Figure 6.2 for 26 OECD countries for which there are data on this group. The percentage of the 15-19 age group in New Zealand who were NEET in 2007 was 9.3 per cent, the fifth highest percentage in the table.

Table 6.1
Highest qualification of New Zealand school leavers, 2008

	Analysis by Ethnicity				TOTAL
	E/P	M	P	A	
NCEA Level 3 or higher	44.8%	19.3%	20.9%	57.0%	39.5%
Halfway to Level 3	12.5%	11.6%	20.6%	19.4%	13.8%
NCEA Level 2	17.9%	19.5%	21.4%	9.4%	17.6%
Halfway to Level 2	6.7%	11.9%	12.7%	5.3%	8.1%
NCEA Level 1	6.1%	8.1%	3.8%	1.5%	5.7%
Halfway to Level 1	5.2%	11.7%	9.0%	2.0%	6.3%
Less than halfway to Level 1	2.9%	7.5%	5.5%	1.4%	3.8%
Little or no formal attainment	3.9%	10.3%	6.1%	4.0%	5.3%

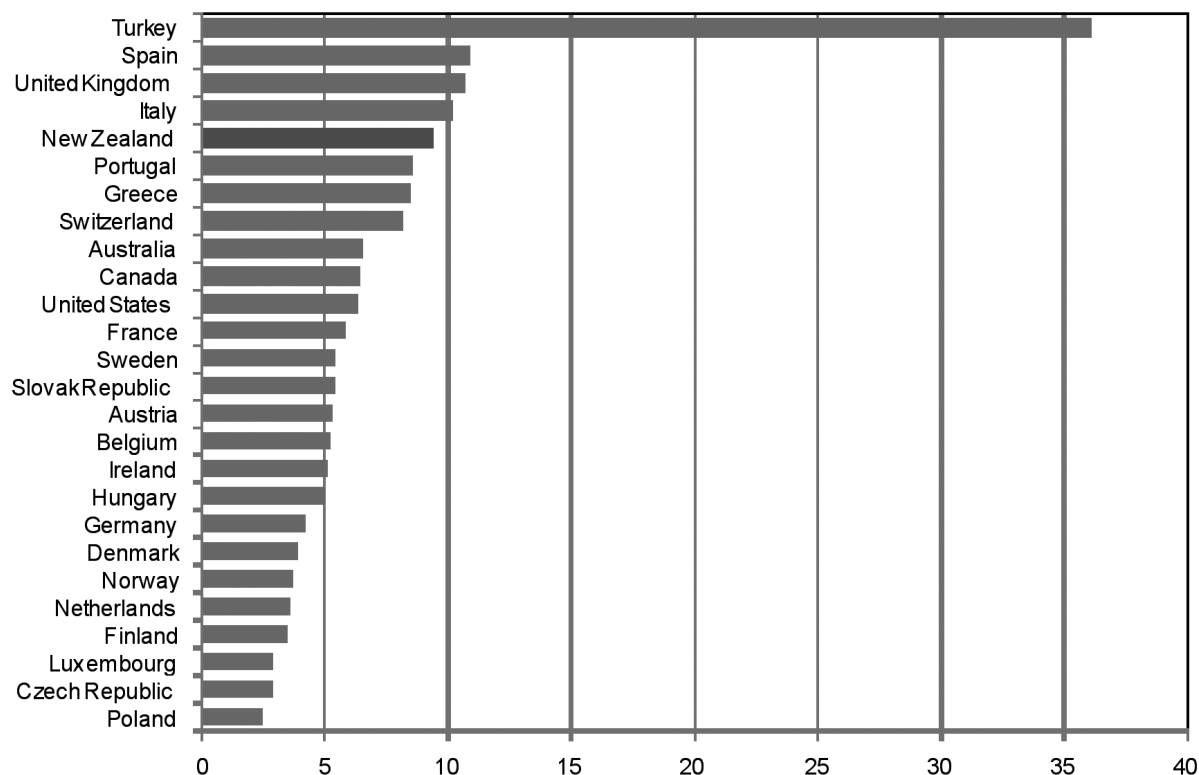
Source: Education Counts website, at www.educationcounts.govt.nz/statistics/schooling/school_leavers2/school_leavers/28965.

Notes: E/P = European/Pākehā; M = Māori; P = Pasifika; A = Asian. Other notes on the definitions of qualifications can be accessed at the Education Counts website.

6.16 The Welfare Justice alternative working group is aware of efforts within secondary schools (such as the Te Kotahitanga programme) and in communities (such as Youth Transition Services) that address some of these issues. Nevertheless, the consistent message from these data is the same as that told to the WWG: “the education system is not delivering for all of our young people” (Welfare Working Group, 2010, p. 51). While this remains true, pressure will remain on the social welfare system as too many young people emerge from the education system with few marketable skills and disengaged from learning. (See Higgins, 2010, and Phillips and Mitchell, 2010, for research on how private training establishments are working to re-engage such young people and the difficulties they encounter as a result of changing government policies).

Figure 6.2

Percentage of young people aged 15-19 not in education, employment or training (NEET). QECD countries, 2007.



Source: OECD Factbook 2010, data from the Youth Inactivity factsheet available at www.oecd-ilibrary.org/content/serial/18147364.

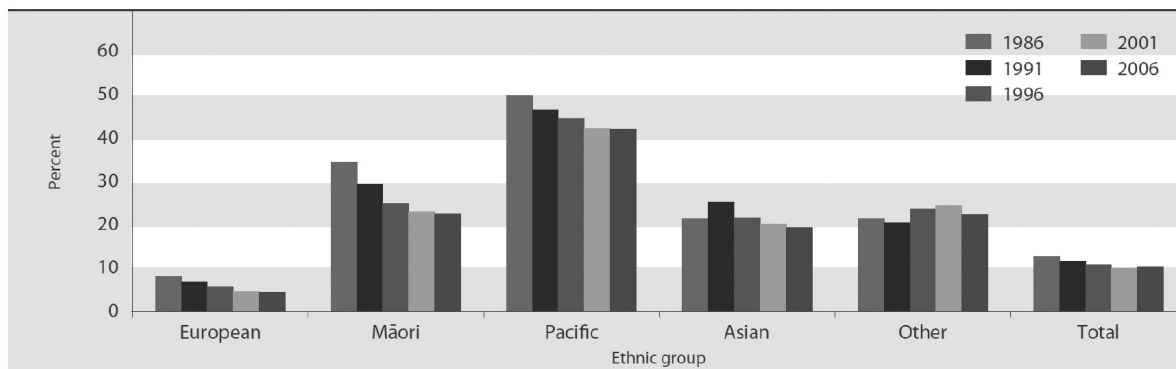
6.17 In this context, many submissions the Welfare Justice alternative working group lamented that opportunities for education and training by people receiving social welfare benefits have been curtailed by Government policy. Specific examples included: cuts in Adult Community Education (ACE); reduced access to the Training Incentive Allowance (TIA); no assistance for retraining under the Sickness Benefit; inability of Work and Income to assist with school fees or 'discretionary' school charges (for class camps or sports events); caps on tertiary education enrolments; and inadequate accommodation support for tertiary students (which we were told has been fixed at \$40 per week since 1992).

Housing

6.18 One of the risks faced by a family with inadequate income and no adults in paid employment is being able to afford only low-quality housing that is damp, not insulated or overcrowded. The Ministry of Social Development (2010, pp. 70-71) uses Census data to estimate the percentage of the New Zealand population living in overcrowded housing. This reports that "in 2006, 389,600 people, or 10 percent of the New Zealand resident population, lived in households requiring one or more additional bedrooms to adequately

accommodate household members, based on the criteria in the Canadian Crowding Index” (idem, p. 70). As shown in Figure 6.3, overcrowding has declined in New Zealand since 1986, but remains particularly prevalent in Pasifika households.

Figure 6.3
Percentage of normally resident population living in overcrowded housing, New Zealand, 2006



Source: Ministry of Social Development (2010, Figure EC5.1, p. 70).

- 6.19 The Welfare Justice alternative working group was advised about a specific issue on linkages between social welfare and housing in New Zealand. The Ministry of Social Development (MSD) recognises three categories of housing in listing a code for rental accommodation costs: private rental, local body, and Housing New Zealand Corporation (HNZ). The first two categories are eligible for assistance by way of Accommodation Supplement, but HNZ income related rentals are specifically excluded. HNZ charges income-related rents set at 25 per cent of income, which means that people receiving benefits have to provide proof of their income from the MSD to HNZ. While this sounds straightforward, for some with limited English, literacy problems, mental health or other barriers this can be fraught with pitfalls.
- 6.20 HNZ sends out once a year a form to assess its tenants’ income and assets. If the form is not processed quickly or if HNZ is not satisfied with the tenant’s information about his or her welfare income, then the rent automatically defaults to a market rate. This can have a devastating impact on cash. Given the information flows already occurring between MSD and HNZ, it should be feasible for HNZ to get the necessary income information directly from MSD, but this seems not to be possible. Similarly, on occasions MSD may require verification of accommodation costs, perhaps to assess an application for Temporary Additional Support (TAS) and this should be readily available from HNZ.

- 6.21 HNZ rents are routinely paid by way of redirection of benefit. This can be seen as a reasonable step, since most people pay their rent or mortgage through automatic payments. A redirection from benefit has some added advantages in that there are no fees, and more importantly, no risk of penalties for payment defaults. For people struggling on the breadline, counting the cents, bank fees add up to an excessive cost that can create a spiral of getting further and further behind. Once set up, however, the system must be consistently applied so that benefit recipients do not find money in the bank that should be left for rent payment. We were advised that particular problems can arise over the Christmas holiday period (when benefits may be paid early) and when a benefit is paid manually (for example, when a required medical certificate has been delayed).

Health

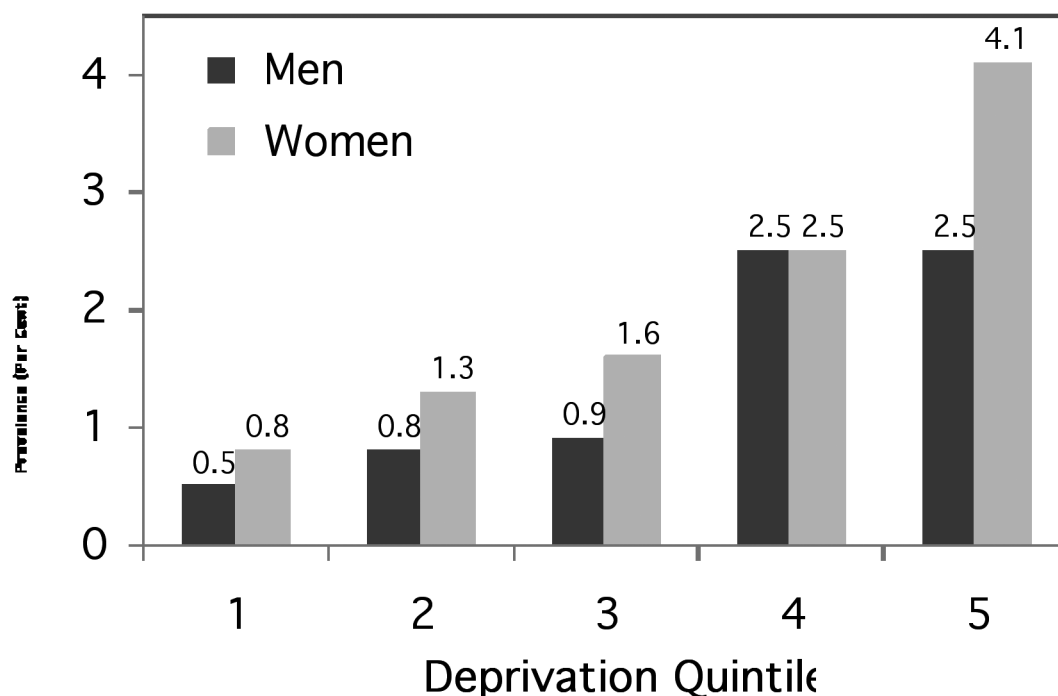
- 6.22 There are strong links between the social welfare system and the health system. To be eligible for the sickness benefit, applicants must supply a medical certificate stating they are unable to undertake full-time work. The Invalid's Benefit requires a medical assessment that the person is unable to regularly work 15 hours or more a week in employment because of a sickness, injury or disability expected to last at least two years (or has a life expectancy less than two years) or is blind.¹ These medical assessments are reviewed regularly, and can be subject to a second opinion by a designated doctor.
- 6.23 Obtaining a medical certificate can be an issue for some applicants. This was explained to us in a submission from a Benefit Rights Advocate at the Wellington People's Centre: "Before granting a Sickness Benefit, the Ministry requires a medical certificate completed by a medical practitioner. This can be an issue if a person does not have a current General Practitioner. ... We have found delays for the poorest, in the areas of highest need, in getting access to a health provider. This is likely to become more of an issue with Work and Income requiring medical certificates more frequently, every 8 weeks instead of 13 weeks."

¹ Note that the Welfare Justice working group received strong representations objecting to the 'medical model' approach to defining 'disability'. These objections are discussed in Chapters 7 and 8.

- 6.24 There is also a link operating the other way from the welfare system to the health system. This is because of the strong association between income inadequacy and ill health. The Ministry of Social Development (2010, p. 27), for example, comments: "There is an association between life expectancy and the level of deprivation in the area where people live. In 2005–2007, males in the least deprived 10th of small areas in New Zealand could expect to live 8.8 years longer than males in the most deprived 10th of small areas (82.1 versus 73.3 years). For females, the difference was smaller, but still substantial, at 5.9 years (84.6 versus 78.7 years). These differences illustrate the links between socio-economic status and health."
- 6.25 The 2006/07 New Zealand Health Survey provides further evidence on this link. Figure 6.4 presents data from the survey on the prevalence of very high probability of anxiety or depressive disorder for adults depending on where they live. The data is ranked by deprivation quintile, from the 20 per cent in the least deprived areas (quintile 1) to the most deprived (quintile 5). For men, there is a large increase in prevalence moving from the middle quintile 3 to the more deprived quintile 4 (from 0.9 to 2.5 per cent). For women, there is also a large increase moving from quintile 3 to 4 (1.6 to 2.5 per cent), but then a further large increase moving to the most deprived quintile (from 2.5 to 4.1 per cent).
- 6.26 The implication, supported by submissions received by the Welfare Justice alternative working group, is that inadequate income support in the social welfare system results in stress that can create anxiety or depressive disorders (including among the recipient's wider household), which slows the return to employment and lengthens the time spent on a benefit. Paradoxically, inadequate income support can be a more expensive option for the social security budget.
- 6.27 The Welfare Justice alternative working group therefore agrees with a submission from staff in the Department of Public Health at the University of Otago in Wellington: "Long periods on a benefit may worsen health conditions for a number of reasons, such as inadequate benefit levels leading to a lack of adequate nutrition, lack of access to primary care, social isolation and inability to participate fully in the community. The evidence cited in section 4.2 [of Welfare Working Group, 2010] is justification to increase benefit levels, rather than force people off them early."

Figure 6.4

Age standardised prevalence of very high probability of anxiety or depressive disorder for adults by deprivation quintile and gender, 2006/07



Source: Ministry of Health (2008, Appendix 5 data tables).

Notes: The Deprivation Quintile is an area-based index of deprivation that measures the level of socio-economic deprivation for each neighbourhood according to a combination of 2006 Census variables. Quintile 1 is the least deprived and quintile 5 is the most deprived. Very high probability of anxiety or depressive disorder is indicated by a score of 20 or more using the international standard Kessler 10-item scale (K10).

6.28 A submission from a worker in the mental health sector explained that: “Mental health services are delivered with a focus on “recovery” which is a process focusing on the strengths of each individual. The recovery journey involves support from qualified clinicians and a range of community and family supports. Employment may be a goal of recovery but there is no short cut.” This observation highlights an enduring tension in the linkages between the welfare system and the health system that needs clearer analysis. Work and Income staff directed to adopt a strong focus on paid employment may face very different incentives to health professionals focusing on sustained recovery. This can generate conflict between two key people interacting with a person in a vulnerable situation, which can be damaging to the person’s progress towards good health and good employment.

6.29 The Welfare Justice alternative working group therefore accepts submissions that there need to be safeguards on the way in which Work and Income staff can communicate with health professionals of people receiving benefits. In particular, we believe that the benefit recipient should be copied in on all

such communications (including generic letters about changes in policy) to protect privacy and trust, and also to allow any errors to be corrected quickly.

New Zealand Superannuation and Accident Compensation

- 6.30 Paragraph 6.1 noted that there is a range of public policies aimed at ensuring adequate incomes for all New Zealand residents, including minimum wage legislation, New Zealand Superannuation, Accident Compensation (ACC) and social welfare income support. It was pointed out to us that the level of support provided through social welfare is considerably below the support provided through other mechanisms. We were also told that the success of New Zealand Superannuation in eliminating elderly poverty provides an important example of what can be achieved by a well-designed social security system. Given this success, the Welfare Justice alternative working group agrees that it is inexcusable for New Zealand to have such high levels of child poverty at the other end of the lifecycle (see Chapter 10).
- 6.31 We received several submissions at our public meetings about the level of support received by people supported by ACC compared to people with similar impairments supported by a social welfare benefit. The second group receives considerably lower financial and other forms of assistance (see, for example, www.equity-for-illness.org.nz/) and the people who spoke to us denounced this as grossly unfair. One person at a public meeting, for example, stated: "There is a hugely different quality of services; it is vast. Giving support on the basis of 'cause of impairment' rather than 'need' is offensive. Supporting our needs [on the invalid's benefit] should match ACC."
- 6.32 A second issue is a complaint that ACC declares people to be work capable, moving them onto the unemployment benefit. No employer will give them a job and so they end up on the sickness benefit and then on the invalid's benefit. Thus, ACC says they are capable of work, but Work and Income comes to the opposite assessment. The result is a significant reduction in their well-being. A submission from a person working for an organisation supporting people with head injuries commented: "It is our belief that it should not be possible to move from ACC Weekly Compensation (WC) to Invalid's benefit (IB) as the threshold for work capacity is higher with ACC than it is for WINZ. Therefore a person who no longer qualifies for WC (i.e. is fit to work 30+ hours) should not then qualify for IB (unable to work more than 15 hours), but they do."
- 6.33 ACC is also limited in terms of the assistance they provide for treatment costs. People can get the balance from Work and Income through a Disability Allowance, but are often not aware of this. There also tends to be a problem if a person who has had an injury is put on a welfare benefit while ACC decides whether or not they are covered. If ACC is granted, this creates a potentially large debt with Work and Income which the recipient never understands and there is the gross for gross or net for net problem with recovery.

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CHAPTER 7

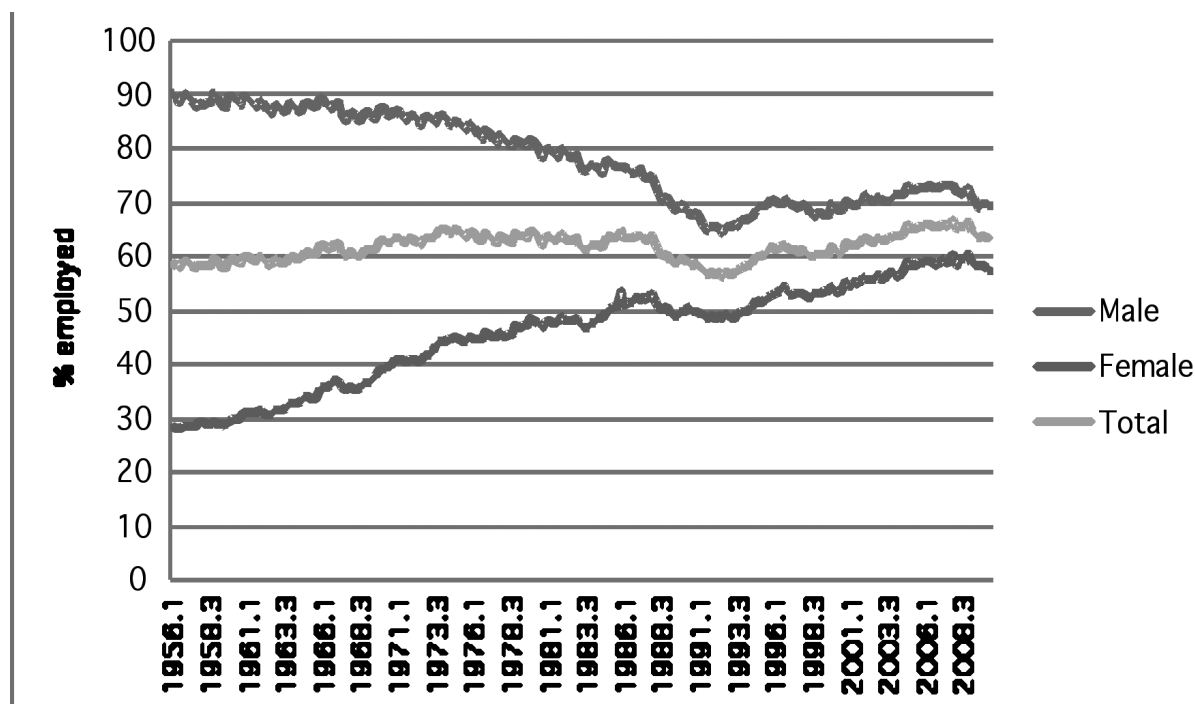
WORK AND PAID EMPLOYMENT

Different types of work

- 7.1 At the heart of promoting human well-being (in all its multiple dimensions) is the *work* we do for ourselves and for each other. Work, of course, is not restricted to *paid employment*. Inside the home, the work of good parenting involves no payment of market income, but is essential for well-being (not just of the child). Outside the home, the New Zealand General Social Survey in 2008 asked people about their *voluntary work* (for a group or organisation) and their *unpaid work* (for someone not living with them; for example, helping them to move, providing or lending transport, care-giving or looking after their children). One-third of the survey's participants reported they had undertaken some voluntary work in the previous four weeks, and about two-thirds reported some unpaid work.
- 7.2 Depending on our social and economic systems, some work can be performed either as paid employment or as volunteered service. Caring for a young person with serious health needs and caring for an elderly person with dementia are two examples where both arrangements currently exist in New Zealand, with some tension. The tension arises because paid employment is the primary means by which most New Zealand households gain access to financial resources needed to sustain and strengthen their well-being. Thus the division of labour between time spent in paid employment and time spent in volunteered service can have significant economic, social and political consequences, which spill over into policy debates about welfare reform.
- 7.3 New Zealand's post-war history illustrates the tension well. Between 1936 and 1954, the Arbitration Court determined basic wages for adult males that "should be sufficient to maintain a man, his wife and three children in a fair and reasonable standard of comfort." Employers would pay women a lower rate of pay for doing the same work, and it was not unusual for women to be dismissed from their job upon marriage. Political action changed this situation radically in the early 1970s. The Equal Pay Act 1972 outlawed gender-based discrimination in work, reinforced by the Human Rights Commission Act 1977. Accident Compensation introduced in 1974 covered *all* citizens suffering accidental personal injury, not just those in the paid workforce. The 1976 reform of superannuation provided equal payments to men and women at age 60, regardless of their employment history.

Figure 7.1

Long-term Employment Rates of Males and Females, New Zealand, March 1956 to June 2010

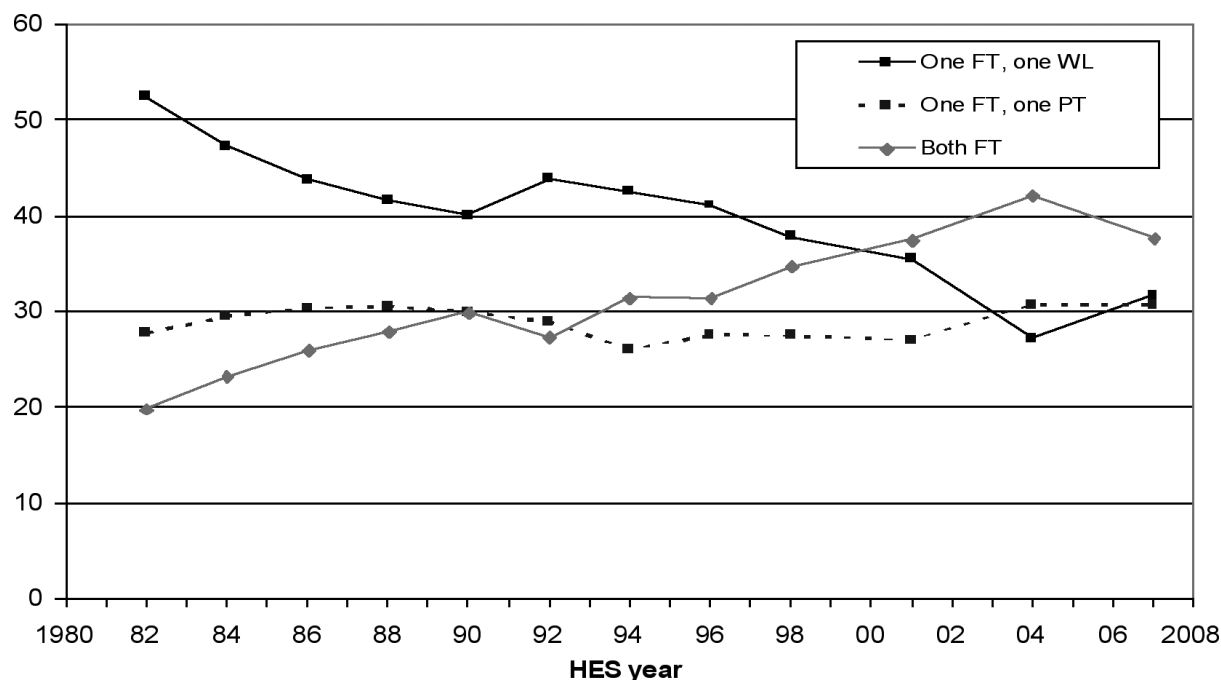


Source: Callister (2010, p. 2), drawing on Chappell (1994) and the Statistics New Zealand Household Labour Force Survey.

- 7.4 Figure 7.1 illustrates the transformation that took place in the distribution of paid employment between men and women over the last four decades. The three series show the percentage of their working age populations (that is, aged 15 and over) in paid employment. The percentage of the total population in employment has fluctuated around 60 per cent (with a steady rise to above 65 per cent more recently). Behind this trend, the employment rate of women *doubled* from 30 per cent to 60 per cent, while the rate for men fell from 90 per cent to 70 per cent.

Figure 7.2

Proportion of two parent households by hours of paid employment (where at least one is FT), New Zealand, 1982 to 2007



Source: Perry (2008, Figure C2, p. 38), drawing on the Statistics New Zealand Household Economic Survey.

Notes: FT = In full-time employment; PT = In part-time employment; WL = Not in paid employment ('Workless').

7.5 Figure 7.2 shows another important trend in access to paid employment. It concerns households with two parents, at least one of whom is in full-time employment. Over 25 years (1982 to 2007), the percentage of such households with *both* parents in full-time employment rose from 20 per cent to around 40 per cent, while the percentage with one parent in full-time employment and the second parent in no paid employment fell from 50 to 30 per cent. These trends mean that a household's access to financial resources usually depends on whether it is 'employment rich' (two or more adults in full-time paid employment), employment 'poor' (no adult in paid employment, including households relying on social security income support), or somewhere in between.

Different types of paid employment

7.6 Paul Spoonley (2010) describes a major shift that has taken place in different forms of paid employment, away from 'standard work' (defined as waged or salaried employment for 30-50 hours per week, without holding multiple jobs) towards 'non-standard work' (all other patterns of paid employment). Table 7.1 presents Census data showing this shift. Between 1981 and 1991, the percentage of the labour force engaged in standard work fell from 77.2 per cent to 50.2 per cent. Part of the shift was accounted for by

an increase in part-time work (from 6.3 per cent to 17.7 per cent), but the bigger contribution was a sharp jump in other forms of non-standard work, from 16.5 per cent to 32.1 per cent. Since 1991, there has been a further drift towards part-time work, while other forms of non-standard work have remained at about one-third.

Table 7.1
Proportions involved in standard and non-standard work, New Zealand, 1981 to 2006

	1981	1991	2001	2006
Standard work	77.2	50.2	41.6	45.4
Part-time work	6.3	17.7	22.9	22.4
Other forms of non-standard work	16.5	32.1	35.5	32.2

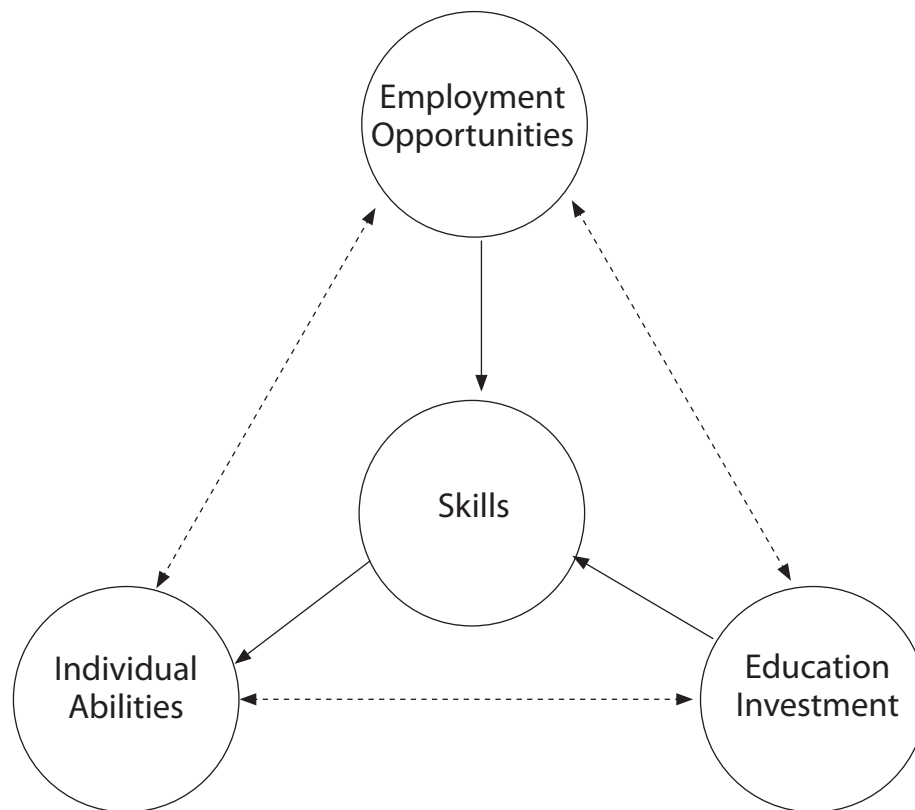
Source: Spoonley (2010, Table 5.1, p. 93), drawing on Statistics New Zealand Census data.

- 7.7 Non-standard employment for full-time workers can be further classified into two broad types. The first type involves workers designing flexible work arrangements to fit in with other life priorities or to exploit highly marketable labour market skills. The second type involves workers struggling to make ends meet in a series of low-paid, casual or temporary jobs, accepted because the workers cannot find more desirable options. There has been very little research on how much of New Zealand's non-standard employment is of the first type and how much is of the second type. Spoonley (2010, pp. 95-96) comments on this in a way that is highly relevant to the current review of social welfare:
- 7.8 "Moreover, there has been an ongoing reluctance locally to concede that non-standard work has now become a major feature of employment in New Zealand. In part, this reflects a certain orthodoxy since the late 1980s that flexible labour is critical to firm, industry and national economic competitiveness. It might also reflect the policy challenges in terms of providing options that address the very different circumstances of the various forms of non-standard work, especially if flexibility is not to be compromised. One of the issues that is disputed is whether non-standard work inevitably leads to 'bad' jobs. The enthusiasm of Carroll (1999) and Tucker (2002) to explore such issues was not shared more generally by other researchers and policy analysts, and not by the relevant ministers. One of the issues was that much of the policy framework was built around explicit or implicit assumptions of full-time paid employment, and accommodating non-standard work was a significant challenge."

- 7.9 The relevance of this discussion for welfare reform lies in the empirical evidence that participation in precarious or low-quality employment can have widespread detrimental impacts. The literature on this point has been summarised by Roopali Johri (2005, pp. 23-24) for the Department of Labour as follows:
- 7.10 “Workers’ income can suffer from poor quality employment, as can their health (both at work, as well as outside of it), their training prospects and hence their productivity, [and] their ability to influence decisions about their job such as their working hours. Accepting any job does not necessarily improve a worker’s chances of getting into better quality employment. In other words, poor quality employment can adversely affect not only a worker’s quality of working life, but also their overall quality of life, including their family life. Employers can experience low quality employment in lower productivity, and recruitment and retention costs. Eventually, society and the economy can be constrained by such costs, reflected in productivity, business standards, economic growth and employment rates.”
- 7.11 The Welfare Working Group’s (2010) Issues Paper made much of the difference between income on a benefit and the average wage. This is an example of the point made by Spoonley at the end of his quote in paragraph 7.8 above. In contrast, submissions to the Welfare Justice alternative working group (2010) noted that jobs offering the average wage are often inaccessible to people supported by social security benefits, who are instead part of a very competitive pool of low skill workers available for a range of minimum wage, low paid, casual, seasonal, part-time, shift-work or otherwise poor jobs. A submission from members of the Department of Public Health at the University of Otago in Wellington, for example, commented: “Low paid work also raises the risk of children being in poverty particularly where sole parents are employed, as wages commensurate with skilled work are required to cover the household expenses. A low paid, unskilled job, such as office cleaning, will not cover basic outgoings, where there is only one adult earner in the household.”
- 7.12 The link between ‘skills’ and quality of work is an important insight. Dalziel (2010) provides a useful framework for thinking about skills in a labour market context, reproduced in Figure 7.3. The figure indicates that labour market skills are produced by integrating employment opportunities, individual abilities and education investment. If one of these three factors is missing, or is not well matched with the other two, then the resulting lack of labour market skills will limit the person to low quality employment. This framework is highly relevant for understanding the reality of most people relying on social security income support for lengthy periods of time. Typically, this situation indicates that the person is coping with some fundamental issue concerning constrained employment opportunities,

restricted individual abilities (socially defined) or poor education investment. The fundamental issue must be addressed if a person is to be helped into high-quality employment.

Figure 7.3
Formation of Labour Market Skills



Source: Dalziel (2010, Figure 8.1, p. 168).

Barriers to paid employment

- 7.13 The previous section finished with a discussion of how low labour market skills can limit a person to low-quality employment. For people receiving long-term income support on the Domestic Purposes Benefit (DPB), the Sickness Benefit or the Invalid's Benefit, there are other barriers to paid employment. This section deals with each of these three groups of people in turn.
- 7.14 *DPB*: There are three categories for the DPB, aimed respectively at people who are: (a) caring for someone at home who needs full-time care; (b) women over 50 who have lost the support of their partner or finished caring for a child or sick relative; and (c) sole parents with one or more dependent children. The third category has the largest number of recipients and is the target of recent work-testing changes under the Future Focus 2010 policy. To be eligible for this category, a New Zealand citizen or permanent resident must normally be the parent of a child under 18 who is dependent on the

recipient; must not be in a relationship with the other parent; must not have a partner or they have lost the support of their partner; and must be aged 18 or over (or 16-17 if they were legally married or in a civil union).

- 7.15 The major barrier to paid employment facing many sole parents receiving this benefit is the difficulty of arranging affordable and flexible childcare while the parent is performing paid work. This issue is closely tied to the type of paid employment available to recipients. If they have the necessary skills to access quality employment, then they may be able to find jobs that fit the normal hours of commercial childcare and that provide sufficient income to afford that childcare. If they do not have these skills, then their more restricted job openings are more likely to involve shift work at low wages that are insufficient to cover the expenses of good childcare.
- 7.16 Baker (2009) has recently published a study of gendered patterns of work and economic well-being in three welfare states – Australia, Canada and New Zealand. Her research includes an OECD (2007) analysis comparing childcare costs as a percent of net income for working couples and for sole parents. The data are reproduced in Table 7.2. They reinforce the point in paragraph 7.5 about the disadvantage in New Zealand of being an ‘employment-poor’ household. The figure of 42 per cent of net income for childcare costs in a single-income-earner household stands out as very high. Further, the New Zealand pattern of a substantial increase compared to two-earner families is not apparent in Australia or Canada.

Table 7.2
Childcare costs as a percent of net income for working couples and for sole parents, Australia, Canada, New Zealand and OECD

	Two earner families		Lone parent
	Both with average wages and 2 children	1 average wage, 1 low wage and 2 children	1 average wage and 2 children
Australia	22%	19%	17%
Canada	18%	29%	27%
New Zealand	21%	26%	42%
OECD Average	15%	17%	17%

Source: Baker (2009, Table 8, p. 628), drawing on data in OECD (2007).

- 7.17 The analysis in Table 7.2 is for a lone parent earning the average wage; on a low wage, the costs of commercial childcare in New Zealand are likely to be prohibitive. A report provided to the Welfare Working Group by the Ministry of Education, the Ministry of Social Development and the Department of Labour (2010, p. 17), for example, reported that in the Working for Families evaluation survey 2007, 67 per cent of sole parents who were not in work but were available for work reported that getting work that paid enough was a barrier to participation. Finding a job that suited them was reported as the biggest barrier for sole parents in this situation (77 per cent).
- 7.18 The issue of childcare costs may seem less important once the youngest child reaches school age. Submissions received by the Welfare Justice alternative working group reminded us that this is not necessarily so. Again the outcome depends on the quality of jobs that the parent can access. If the person has labour market skills that make it feasible to obtain a well-paid job during school hours (with time off for school holidays or when a child is ill), then paid employment as a single parent is a good option. Without these labour market skills, however, a parent's choices are much more restricted and being forced into low quality employment is likely to be detrimental to the family's well-being.
- 7.19 *Sickness Benefit*: New Zealand citizens or permanent residents may be eligible for the Sickness Benefit if a medical practitioner certifies that they are not able to undertake full-time work. The emphasis on *full-time* work has recently been revised by the government. From May 2011, if the person's doctor (or a registered medical practitioner) thinks a recipient of the Sickness Benefit is capable of working at least 15 hours a week, then the recipient will have to look for a suitable part-time job. The Welfare Justice alternative working group received submissions identifying two significant barriers to paid employment for people receiving a Sickness Benefit.
- 7.20 The first barrier is that because the Sickness Benefit was originally designed for people who would otherwise be in *full-time* employment, the abatement rate for *part-time* employment is very high: 70 cents for every dollar earned above \$80 per week. Taking into account the tax rate on income less than \$14,000 per annum (10.5 per cent) and the earner's ACC levy (2.04 per cent), the effective marginal tax rate implied by this abatement rate is 82.5 per cent (see Nolan, 2003, Appendix 3 for details of the methodology for calculating this figure). For a person on a Sickness Benefit obtaining part-time employment at the minimum wage (\$12.75 per hour) the amount of extra money obtained in the hand is thus \$2.23 per hour. This is unattractive to the recipient, but is also very unattractive to potential employers. It is difficult to motivate, and possibly expensive to supervise, an employee who has medical issues sufficient to prevent full-time work and who is receiving only 17.5 cents for each dollar paid by the employer (beyond \$80 per week).

- 7.21 We note that a similarly high level of abatement exists for people on Invalid's Benefit who may be able to undertake a small amount of work and whose skills attract remuneration beyond the tax-free allowance of \$80.00 a week.
- 7.22 The second major barrier is that low-quality employment and inadequate income are themselves contributors to ill health. This was emphasised in a submission from the New Zealand Council of Christian Social Services who quoted from the Marmot Review of Health Inequalities in England (Marmot *et al*, 2010, p. 26): "Insecure and poor quality employment is also associated with increased risks of poor physical and mental health. There is a graded relationship between a person's status at work and how much control and support they have there. These factors, in turn, have biological effects and are related to increased risk of ill-health. Work is good – and unemployment bad – for physical and mental health, but the quality of work matters. Getting people off benefits and into low paid, insecure and health-damaging work is not a desirable option."
- 7.23 *Invalid's Benefit:* To qualify for the Invalid's Benefit, New Zealand citizens or permanent residents must: be unable to regularly work 15 hours or more a week in employment because of a sickness, injury or disability expected to last at least two years; or have a life expectancy less than two years and be unable to regularly work 15 hours or more a week in employment; or be blind with a specified level of restriction in visual field or sharpness of vision. A medical certificate or equivalent is required, which may be reviewed with further medical checks from time to time.
- 7.24 At the end of December 2009, there were 85,000 people aged 18-64 who were receiving an Invalid's Benefit (Ministry of Social Development, 2010). Just over one-third of this group (35 per cent) were aged 55 years or over, and nearly three-quarters (73 per cent) were aged 40 years or over. Table 7.3 presents the highest 10 incapacities ranked by the number of recipients of this benefit. This shows that three categories account for more than half of the recipients: psychological or psychiatric conditions; intellectual disability; and musculoskeletal system disorder.

Table 7.3
Incapacities of people receiving the Invalid's Benefit, end of
December 2009

Incapacity	Number	Per Cent
Psychological or psychiatric conditions	24,724	29.1%
Intellectual disability	11,079	13.0%
Musculoskeletal system disorder	10,244	12.0%
Cardio-vascular disorders	6,504	7.6%
Nervous system disorders	6,441	7.6%
Accident	4,101	4.8%
Congenital conditions	3,737	4.4%
Metabolic and endocrine disorders	3,373	4.0%
Respiratory disorders	3,050	3.6%
Sensory disorders	2,381	2.8%
Other incapacities	9,404	11.1%
TOTAL	85,038	100%

Source: Ministry of Social Development (2010).

- 7.25 Given that people receiving the Invalid's Benefit have a medical certificate advising they are unable to work (more than 15 hours per week) in employment for at least two years, it might be thought that labour market barriers would be irrelevant for this group. To the contrary, the Welfare Justice alternative working group received strong representations objecting to this 'medical model' approach to defining 'disability'. Instead, they asked us to acknowledge and use a 'social model' approach, which recognises that personal impairments become disabilities only when social institutions do not allow the impairments to be accommodated. Needing a wheelchair for mobility is an *impairment*, for example, which becomes a *disability* only if buildings or transport are not designed to be wheelchair accessible. In the case of labour market institutions, this model indicates that 'disabilities' arise not from medical conditions *per se*, but because employers will not, or cannot in a competitive market, provide jobs to match a person's abilities in a work environment that accommodates his or her impairments.
- 7.26 The 'social model' identifies that barriers to employment are the key for understanding disability. This insight is reflected in a submission from members of the Department of Public Health at the University of Otago in Wellington: "Any expectation of paid work for people receiving a benefit

needs to take account of the capacity of the labour market to engage them. ... It is unrealistic to expect that people with moderate disabilities will be employed in the current climate when many able bodied people are unemployed and competition for even the most basic jobs is fierce."

- 7.27 The social model of disability leads to two principles for the welfare system. The first is where impairments are permanent and may be of a nature that make employment extremely unlikely, then the person should not be subjected to continuous work testing or medical assessments to receive social security income support. This principle is generally accepted, but is often overlooked in practice when blanket policies of work testing are imposed on all benefit recipients.
- 7.28 The second principle is that policy must directly address barriers to employment faced by people receiving the Invalid's Benefit rather than focusing on any impairment they may be managing. In particular employers must be able and willing, supported by public policy, to design employment conditions that allow people with physical or mental impairments to use their *abilities* productively. In a report prepared for the New Zealand Treasury, Michael Fletcher (2009, p. 41) makes the following observations: "Many European countries are moving to introduce greater expectations on employers to help manage, and share the costs, of sickness and disability among their workforce. These policies take a number of forms ... approaches include extending the period of sick leave entitlement for workers (UK, Switzerland), strengthening anti-discrimination legislation (Australia, EU countries) and the use of quotas to promote the employment of people with disabilities (Poland, Luxembourg, Spain)."

Voluntary and unpaid work

- 7.29 This chapter began by noting that at the heart of promoting human well-being is the *work* we do for ourselves and for each other, and that this work includes voluntary and unpaid work. The Welfare Justice alternative working group received submissions pointing out that voluntary and unpaid work are particularly important for people on the Domestic Purposes Benefit, the Sickness Benefit and the Invalid's Benefit. These include:
- The unpaid work of parenting, performed without a supportive partner, by a sole parent on the DPB;
 - The unpaid work by a person on a Sickness or Invalid's Benefit to recover or maintain their good health; and
 - The voluntary work performed by people on one of these benefits in their respective communities of interest.
- 7.30 If these contributions are recognised, then an opportunity cost is incurred if the ability to do this voluntary work is limited by a requirement to do low-quality paid employment. This point was well made in the following verbal

submission received by the Welfare Justice alternative working group: "I am blind and have other health conditions that have put me on the Invalid's Benefit. I suppose I could do a low skilled job for an employer who wouldn't really want me. But where would I find the energy to look after myself and who would do all the hours of volunteer work I do in the blind community, which I can do only because of my specific experience and knowledge?" Research soon to be released for Disabled Persons Assembly (DPA) NZ highlights the range of unpaid work that disabled people do that is often not acknowledged and not counted within general settings.

- 7.31 It is possible to calculate an estimate of the number of hours of volunteer and unpaid work covered by basic benefit rates. In 2004, Statistics New Zealand prepared an economic view of non-profit institutions, which reported that "the value of voluntary labour (or formal unpaid work) in non-profit institutions in New Zealand was estimated to be \$3.31 billion for the year ended March 2004" (Statistics New Zealand, 2004, p. 3). To produce that figure, Statistics New Zealand estimated that the average 'volunteer wage rate' was \$12.15 an hour (using wage rates prevailing in June 2003; *idem*, p. 38). Updating that estimate to reflect changes in average wages since 2003, the average volunteer wage rate in June 2010 would be \$14.71 an hour. Table 7.4 divides the base benefit levels by this average rate. This suggests that the benefits cover between 15 and 22 hours per week of volunteer service or unpaid work, depending on the benefit category.
- 7.32 The interpretation of these figures is that if a person receiving one of the three benefits in Table 7.4 is engaged for an average of 2-3 hours per day in a combination of volunteer service in their communities and extra unpaid work involved with parenting or with maintaining their good health ('extra' means compared to the general population), then their base benefit is covering the economic contribution of that work.

Table 7.4
Hours of volunteer or unpaid work covered by benefits, June 2010

Benefit category	Base Benefit\ (Per Week)	Volunteer Hours
Sickness benefit, single, 18-24 years	\$184.87	12.6
Sickness benefit, single, 25+ years	\$221.85	15.1
Sickness benefit, partnered	\$184.87	12.6
Invalid's benefit, single	\$278.16	18.9
Invalid's benefit, partnered	\$231.09	15.7
Domestic Purposes Benefit, sole parent	\$322.98	22.0

Conclusion

This chapter has already quoted the conclusion of the Marmot Review in England that (Marmot *et al*, 2010, p. 26): “Work is good – and unemployment bad – for physical and mental health, but the quality of work matters. Getting people off benefits and into low paid, insecure and health-damaging work is not a desirable option.” Instead, this chapter has focused on three policy directions for welfare reform: developing labour market skills (by integrating employment opportunities, personal abilities and education investment); addressing barriers to participation in paid employment by people on the different benefits, and recognising the economic value of volunteer service and unpaid work performed by people receiving benefits.

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CHAPTER 8

DISABILITY

Introduction

- 8.1 Like other New Zealanders, disabled people will have reasons to access benefits. Currently there is a considerable level of concern for reportedly rising numbers of people on Invalid's and Sickness Benefits who are said to be on those benefits for a long time. The numbers quoted (e.g. 95,700 people on an Invalid's Benefit) are high, and are accompanied by an alarming corollary of seemingly unaffordable costs. The answer to this, it is said, is to find jobs for these people to go to. However this focus on numbers is only one part of the situation, and it gives an "answer" rather akin to the cartoon where several blind men triumphantly identify a large elephant through exploring small parts of the whole – their emerging picture is, at best, imperfect, and so are such numbers-and-money-based responses.
- 8.2 Any discussion that focuses just on ways to reduce numbers of people on Invalid's and Sickness Benefits and to get them into a job, any job, fails to consider the whole situation. Any discussion that fails to engage the expertise of those who experience the situation is deeply unwise. To understand the present situation and to move to real solutions, a full picture is needed. This would contextualise by looking at the legacy of the past; how disability has been and is now seen by disabled people; the contribution of the current benefit system to the situation; what is the relationship between work and benefits for disabled people; and the role of the Convention on the Rights of Persons with Disabilities (CRPD). It would also listen to, and work in genuine partnership with disabled people.

Social security and understandings of disability

- 8.3 Our present may have some recognisable past point where it seems things began, but that may not be the real starting point. The Social Security Act 1938 is an example. It is the starting point for a number of new provisions for the well-being of New Zealand's citizens. But the Act was only a representation of a whole process; an evolution from the problems associated with the charitable aid system then operating. In this grudging system there were deserving and undeserving poor, handouts and later frugally small monthly pensions. Charitable aid was found to be particularly inadequate during the 1930s depression and an alternative developed a more holistic approach where the care and welfare of citizens was a collective responsibility. This more rounded approach covered employment, education, housing, healthcare and income. Employment was an important aspect but welfare was seen to extend beyond employment alone.

- 8.4 So when the Social Security Act 1938 came into being it had monetary benefits, welfare services and provisions such as home help and a wide range of health benefits; while it was a starting point, the impetus was earlier inadequate approaches.
- 8.5 Among the newly created monetary benefits were Invalid's and Sickness Benefits. Eligibility for Invalid's Benefit was either total blindness or permanent incapacity for work; people eligible for a Sickness Benefit were temporarily incapable of working. These benefits were formed around the then conventional understanding of disability, which widely understood disability as a variant of illness. Disabled people were categorised into a number of medically labelled conditions and seen to be passive, dependent, helpless and needing to be cared for because of their "deficits". The world of everyday work was something that had little relationship to "those people", except perhaps for what a few disabled people, such as injured soldiers, did in sheltered workshops. Life in the community was (and continued to be) constructed around inaccessibility, so disabled people and tāngata whaiora or psychiatric survivors often found themselves living in large institutions such as Pukeora or Tokaanui, segregated from ordinary community life.
- 8.6 As time passed the key focus of the social security legislation moved almost exclusively to the link between benefits and work. This is evident in a substantial rewrite in 1964 and is reflected in the new eligibility criteria for Invalid's and Sickness Benefits. For example Invalid's Benefit eligibility now required that the person be "permanently and severely incapacitated in his or her capacity for work" and that this had to be certified by a medical practitioner using a more complicated assessment form. Given this shift, it is ironic that the 1972 Royal Commission of Inquiry into Social Security reaffirmed the role of social security.
- 8.7 At this point more people, including disabled people themselves, had realised it was possible for disabled people to work. Reflecting this to some degree, the 1964 Act had a new provision that an Invalid's Beneficiary could be directed to undertake vocational training. But, the baseline understanding of disability had not noticeably altered. Instead it had become more medicalised and individualised via psychological concepts whereby the image of a disabled person was one of both external inability and inner disturbance. Feelings of inferiority and a longing to be "normal" were common it was said. The "solution" was to have non-disabled experts to lead, instruct and rehabilitate.
- 8.8 Thus expectations of disabled peoples' work capabilities remained low; Invalid's and Sickness Benefits had substantially the same underpinnings to how they were constructed for the next quarter century, and employers continued not to employ disabled people.

- 8.9 But while the underpinnings of Invalid's and Sickness Benefits remained largely unchanged, the situation of disabled people and tāngata whaiora was slowly changing. Large institutions were closed and more disabled people lived in the community. More disabled people obtained some education and were increasingly employed in a wider range of jobs. These material changes were accompanied by changes to thought.

Social model thought

- 8.10 From the late 1970s on, disabled people began to think about themselves and their situation; gradually they rejected the conventional images as defined by others. They dissected the usual thoughts about how disabled people worked, and realised they were neither sick nor defective. In reality they were full humans just as capable of leading ordinary lives in the community as anyone else but being disabled by the barriers arising from other people's thoughts. They sought changed laws, policies and practices that would include them rather than separate them into "special" services. They saw that they could work much the same way as everyone else. Above all they saw that the problem lay not in their supposed deficits, but in the way many parts of everyday life were so structured as to exclude them.

- 8.11 This perception, most commonly called a 'social model' approach is encapsulated in the 2001 NZ Disability Strategy (NZDS):

Disability is the process which happens when one group of people create barriers by designing a world only for their way of living, taking no account of the impairments other people have ... Disability relates to the interaction of the person with the impairment and the environment.

(Whakanui Oranga, the NZ Disability Strategy, 2001, p3.)

In NZDS was a strong recognition that disability is not an issue of health, and that impairments are ongoing conditions that simply constitute a different way of being, learning or experiencing life; they do not need to be "fixed".

- 8.12 Disabled people also began to understand they, and not the external professionals, were the experts in disability. They wished to change the many barriers they experienced and the attitudes they experienced and they wished for their knowledge to be valued. Collective and determined advocacy by disabled people for changes to law, policy and practice to reflect this understanding continued. However, there was little perceptible response from the administrators and policy makers who dealt with benefits.
- 8.13 Although some within the bureaucracy had some understanding of social models of disability there has been little reflection of this in substantive change; it would appear that the response has been to allow for some

superficial changes. As these do not address the underpinnings of the benefit system, with policy changes bolstering and tightening around Invalid's and Sickness Benefits, benignity has disappeared and disabled people have lost ground. The relationship between benefits, disability and work grew increasingly constrained as the gap between disabled people's reality and the rhetoric of benefit reform grew. This has changed little. 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.

Disability, work and benefits: uncertain links, lost lessons

- 8.14 Although disabled people sought to work, they consistently encountered barriers to their participation. Even when there was virtually full employment in New Zealand, disabled people found it hard to obtain and retain jobs. In the 1970s, disabled women trickling through higher education had struggled to obtain adequate employment that was not as a telephone operator or tea lady or unemployment as an Invalid's Beneficiary. In the 1980s disabled people's employment was characterised by high unemployment and low workforce participation. This pattern has been ongoing, changing little even when the economy has been strong and overall unemployment low.
- 8.15 Disabled people wanted to work but found themselves unable to do so. They repeatedly told governments, public servants, the private sector and non-government organisations that they could work and wanted to work. But the work they desired was elusive. Among disabled people it was widely understood that the major barrier was discriminatory attitudes and practices from employers. Supportive and non-discriminatory workplaces were rare, as was an openness to disabled people in different occupations. But increasing numbers found work, often in the state sector.
- 8.16 In the 1980s deregulation, where there were huge cutbacks in the state sector, unemployment soared. Disabled people were made redundant in disproportionately large numbers and from then employment became an illusion. Numbers of the disabled public service employees thereafter only found other occupation in sheltered workshops where, they became "trainees" who were on an Invalid's Benefit topped up by a small allowance. Others found no other work and became Invalid's Beneficiaries too. It is unsurprising then that numbers of disabled people and tāngata whaiora on Invalid's Benefit increased by 114 per cent for the decade to 1989. Along with other beneficiaries, disabled people experienced increasing levels of poverty, a more than usually hostile employment environment, and bleak prospects.
- 8.17 There is no real evidence that administrators and policymakers heard a less economically focused message with updated images of disability. Instead the 1990s heralded a new Government and savage cuts to benefit

levels, with tighter eligibility requirements. Sickness Benefits were cut by 3-10 percent. While Invalid's Benefit levels were not cut, stricter criteria for supplementary, special and disability benefits meant an effective drop in their value. Beneficiaries became the targets of a hostile campaign of "dole bludger" invective. Later in the 1990s a strong message that all benefits were only a temporary point of transition to employment followed. Finally late in the 1990s work testing was introduced for people on Invalid's and Sickness Benefits on the same basis as for everyone else under the title of "Workfare". Given that disabled people continued to experience employment discrimination, and the job market was still tight, it is a mystery how this initiative was supposed to be effective in dealing with an enduring focus on numbers on benefits.

- 8.18 However, it did mark a decidedly disingenuous public misapplication of some of the words of disabled people. Disabled people were told that those designing the benefit changes had listened to them when they said they wanted to work. The changes, said the designers, would ensure they now had strong incentives to do so. This twisting of the meaning of "we want to work" upset many disabled people. At the same time it failed to address the externally imposed barriers such as the economy, economic policy and employer attitudes.
- 8.19 Workfare was withdrawn after a short and unpopular tenure, but there has remained a much more overt government-policy link between Invalid's and Sickness Benefits and work, and a retention of the "you told us..." rhetoric with evident overtones of censure. A belief has strengthened that people on these benefits require only to be strongly incentivised to get into work; a theoretical capacity to do some kind of work is adequate, and if disabled people are capable of any work at all they ought not be on any benefit. In this scenario, there is no acknowledgment of fluctuating capacity, suitable work or understanding the total impact of having more than one impairment, which is the experience of most disabled adults.
- 8.20 Following this was a series of benefit policy initiatives focused on these benefits and work. In 2003-4 a "jobs jolt" initiative was followed by further tightened eligibility requirements for Invalid's Benefit, and sought to ensure that medical practitioners enforced eligibility criteria more stringently. In 2004 a Sickness and Invalid's Benefit strategy was launched to support people with ill health or disability towards work and independence. In 2006 this became a single core benefit proposal. All reinforced an understanding that disabled people who could, should work. Added now was a belief that medical interventions would be key to the move to work. The undiminished reliance on medically based interventions displayed in these incarnations is disappointing but probably not surprising. Disabled people continued to experience little assistance from a benefit system that told them they should

work, while doing little to implement the kinds of things disabled people said would help. Such changes to the focus in benefit policy were supported by repeated public expressions of concern about the numbers of people on Invalid's and Sickness Benefits. Concerns were repeatedly expressed in a wide variety of policy settings.

Current welfare initiatives

- 8.21 Despite such factors as an uncertain job market, and employers reluctant to create tailored and properly supported opportunities, there seems to be a quasi-mystical belief that the jobs will appear and people will leave the Invalid's Benefit. This is in the face of evidence that:
- Disabled people face workplace discrimination, particularly attitudinal barriers
 - Disabled people obtain less employment and at lower levels of pay than their non-disabled colleagues of similar experience, skills or qualifications
 - Inimical workplace practices such as recruitment retention, adequate flexibility of working hours, and a lack of disability competency, are widespread
 - The bulk of disabled people in employment are in basic occupations where flexibility of work arrangements is not the norm, and are rarely in full-time, adequately remunerated or secure employment
 - Models of assessments to determine capacity to work such as are being used in Britain are deeply flawed

There has been no attempt to address the inadequacies of the benefit system itself. These actions are absent in addressing the cumbersome and inaccessible processes of benefit administration. There is also an absence of initiatives to reform Invalid's and Sickness Benefits so that benefits with 1938 understandings of disability are adequate for the 21st century

- 8.22 The last few years have seen a return to centre stage of right wing ideology in conjunction with poor economic conditions. There is a return in full of the rhetoric that says disabled people only need strong positive expectations on them to work in order for this to happen. Benefit numbers will then fall and all will be well. This largely reproduces original formulations and medical model understandings from Workfare, little altered by social model understandings or lessons from supported employment.

- 8.23 The Social Assistance (Future Focus) Bill of 2010, which later became the Social Assistance (Work Tests and Obligations) Amendment Bill promises "an unrelenting focus on work". Among its numerous provisions, the Invalid's Benefit has been reserved solely for a very limited number of disabled people with very high and complex needs and an almost complete inability to work. Other disabled people will gradually be channelled to a Sickness Benefit that will have many additional layers of requirements and be linked to the

immediate goal of paid employment. Talk of support for disabled people into suitable work is again mainly related to medical-model interventions, with a lack of similar level obligations on employers. With this Act there is a return to a 1990s welfare slogan – social welfare benefits are seen as a minimalist safety net.

- 8.23 Hard on its heels came the announcement of a Welfare Working Group (WWG) whose ominous terms of reference focused substantially on these disabled people still on Invalid's or Sickness Benefits although there is no representation to bring in disabled people's expertise. The WWG is also deeply concerned about benefit numbers, particularly for Invalid's and Sickness Benefit (although they continue to publicly state that all possibilities are up for consideration). The WWG have discussed many inimical and alarming options for disabled people, informed by a narrow and poorly conceptualised understanding of disability. There is a strong preference expressed for similar British experiences.
- 8.24 Among these, one particularly well illustrates what is now under active consideration. There is a new work capacity assessment test for disabled people in Britain. It is led by a private company (Atos), and is experienced by British disabled people as draconian, disturbing and inaccurate. British disabled people are running an extremely vocal and active "Black Triangle" campaign on Facebook against the changes.
- 8.25 There has been heavy criticism of this process: 92,000 people complained to Britain's Citizens Advice Bureaux about the assessments they received. Their healthcare professionals (HCPs) have been "fully trained in disability assessment medicine" but are not necessarily qualified doctors. Despite this medical orientation, they appear confident in their ability to assess factors such as propriety of behaviour with other people, communication or continence. That the WWG would contemplate the possibility of using such a contested process in New Zealand, leaving aside the implications of possibly contracting out core welfare functions to a private company, is alarming and unacceptable. Disabled people can have good grounds for apprehension about the "findings" of the WWG, as can all other beneficiary groups. People in the Welfare Justice alternative working group meetings and submissions have consistently expressed very high concern with what this group is considering.
- 8.26 Today disabled people and tāngata whaiora daily experience how the understanding of beneficiaries plays out in ordinary settings of a Work and Income office. They are required to talk to people with large workloads, indifferent pay and conditions and an enduring lack of adequate disability competency, and disclose intimate personal information where no privacy exists. In meetings held by the Welfare Justice alternative working group,

disabled people repeatedly told us they experienced indifference, hostility and a lack of respect. This lack of respect is strongly echoed in a shortly-to-be-released monitoring report on disabled people's experiences of their rights.

Human rights and future directions

- 8.28 New Zealand ratified The Convention on the Rights of Persons with Disabilities (CRPD) in September 2008, after taking a leading role in its development. A groundbreaking feature of the convention was the partnership approach where disabled people and their organisations took a fully participative role in writing the text of the Convention. They worked side by side with States Parties (governments), and produced the quickest ever United Nations Convention: the process was completed in 6 years.
- 8.29 New Zealand took a leadership role throughout this process. By ratifying the Convention, the New Zealand Government bound itself under international law to implement its provisions in national law, policy and practice. New Zealand also is required to report periodically to an internal monitoring committee: a report from the Government is due in March 2011. Characteristically, civil society organisations submit a "shadow" report to the monitoring committee on their thoughts about the country's implementation, and the monitoring committee gives this document considerable weight in its examination of the country's progress. It seems likely that Disabled People's Organisations (DPOs) will comment on welfare reform in their "shadow" report.
- 8.30 The CRPD is clear about what disabled people can expect in relation to work and employment (Article 27) and an adequate standard of living and social protection (Article 28). Further guidance is in the preamble, definitions (Article 2), and general obligations (Article 4). It does not seem that the kind of welfare reforms being considered by the WWG are consistent with the CRPD's provisions. Of course, a failure by the New Zealand Government to ensure that all new legislation and policy is consistent with the Convention may lead to strong and embarrassing criticism by the United Nations Committee on the Rights of Persons with Disabilities.
- 8.31 As a whole, welfare reform as conceptualised by the WWG seems to be devoid of any articulated consideration of a human rights approach. For all of the aspects of welfare reform, human rights needs to be a core consideration, and it would be unwise of the WWG to proceed without thoroughly addressing this. Disabled people certainly expect the WWG to address this.

Conclusion

8.32 For disabled people the past has been tied into monetary benefits designed to put into practice a set of enduringly holistic principles about welfare and security. Putting the principles into practice meant that a number of medical-model assumptions were made and these gave rise to Invalid's and Sickness Benefits. Medical-model assumptions have, over time, been found to be increasingly imperfect but there has been huge reluctance to address the disjunction between the 1938 image and the reality of disabled people in the 21st century. Instead of looking at how monetary benefits could be substantially restructured to reflect the social models of disability that are expected by the CRPD, there has been a distressingly blinkered willingness to focus on how the individual recipient might be detached from benefit support as quickly as possible instead of considering how the benefit system might be better configured. There is a complete absence of human rights considerations that needs urgently to be addressed if any reforms contemplated are to address the real and basic needs of all New Zealanders.

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CHAPTER 9

THE WELFARE STATE AND ETHICAL MĀORI CITIZEN(RIES)

- 9.1 The position of Māori in regard to the welfare system is an important consideration in any potential reform, not only because of the numbers of Māori engaged with the welfare system, but also because Māori responses to the fundamentally important questions posed by this welfare debate often will differ substantially to Pākehā and those of other ethnic groups.
- 9.2 Of course it is important to note the relative position of Māori in comparison to other societal groups. A base-line is an important starting point, provided that the enquiry goes beyond facts and figures and into deeper questions that consider Māori not only as the subjects of welfare, but the people most likely to hold the key to improving Māori welfare outcomes in every sense of that phrase.

A base-line

- 9.3 There is a wealth of data which show clearly the economically disadvantaged position of Māori. The Whānau Ora Taskforce Report summarises this well when it says: “Despite limitations, current data suggest that whānau members face a disproportionate level of risk for adverse outcomes, as seen in lower standards of health, poorer educational outcomes, marginalisation within society, intergenerational unemployment and increased rates of offending. Further, in response to socio-economic hardship, a range of problems are likely to co-exist within the same household, affecting health, employment, behaviour, education, and lifestyle simultaneously. In addition to socio-economic determinants, some studies have shown that even when social and economic circumstances are taken into account, Māori individuals still fare worse than non-Māori” (Taskforce Report, 2010: 15).
- 9.4 While acknowledging the critical role of iwi, hapū and whānau in improving the social and economic position of Māori, (key elements of which are set out in the Taskforce Report), poverty and widening inequality have had and continue to have a significant impact on Māori and Māori society and require particular attention in social security changes. Table 9.1 shows the extent of income inequality for Māori in relation to other ethnic groups.

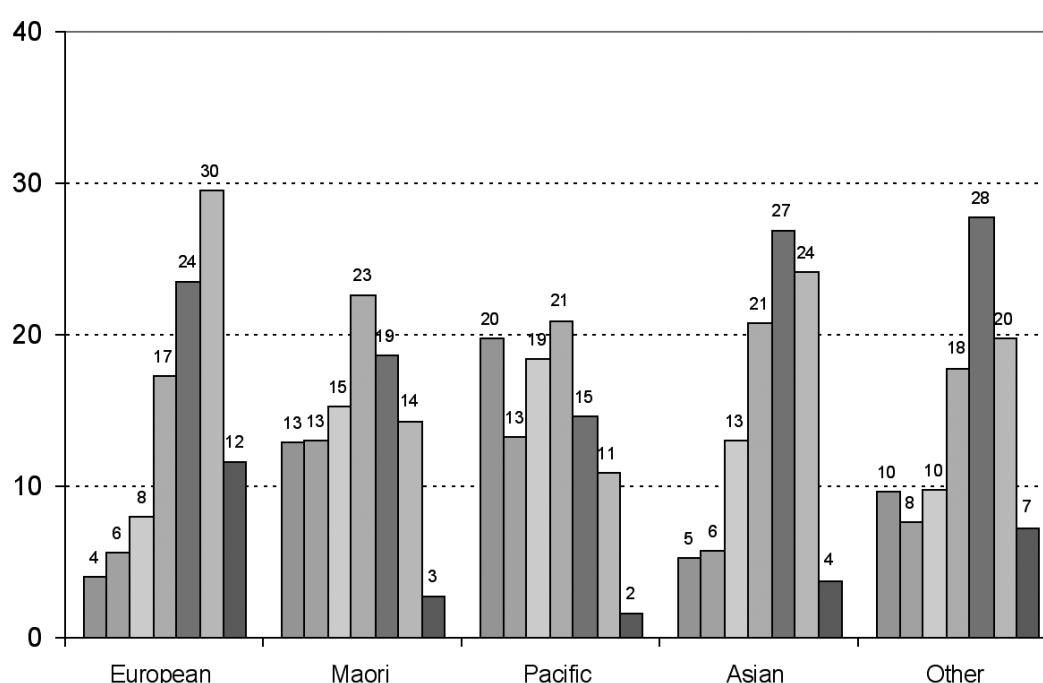
Table 9.1 Real equivalised median household income (BHC) by ethnicity 1988 to 2008 (\$2008)

	1988	1990	1992	1994	1996	1998	2001	2004	2007	2008
Euro/Pākehā	25,100	25,000	22,500	22,100	23,000	25,100	25,600	28,800	29,500	31,000
NZ Māori	20,800	18,800	15,300	15,400	18,400	19,400	20,800	21,500	21,000	24,100
Pacific	20,400	17,900	16,200	14,500	15,900	17,700	17,100	19,600	23,000	22,300
Other	22,600	21,700	21,400	16,100	18,500	15,900	24,900	20,900	26,300	25,400
All	23,900	23,400	21,100	20,400	21,600	23,500	24,100	25,900	27,400	28,300

Source: Perry, 2009a: Table D.5

- 9.5 As Table 9.1 demonstrates, between 1988 and 2008 median income for Māori increased by \$3,300 while for the population as a whole it increased by \$4,400.
- 9.6 The disadvantaged position of Māori in relation to overall income inequality is reflected too in the hardship data in the most recent report on Living Standards. Here too, the position of Māori is significantly worse than the population overall as demonstrated in Figure 9.1 below. As we note in Chapter 11, the scale moves from 'severe hardship' on the left to a 'very good' standard of living on the right hand side.

Figure 9.1
Distribution of ELSI-3 scores by ethnicity, 2008 LSS



Source: Perry, 2009b: 52. Figure E2.6

- 9.7 The 2008 Living Standards research goes on to note that Māori and Pacific households have a hardship rate two to three times higher than other ethnic groups. Other data from the Living Standards work and a range of other sources reinforces this picture. Not surprisingly, this overall picture is also reflected in the available data on the position of Māori children who are over-represented among children living below the poverty line.

Deeper questions – Māori and the welfare state

- 9.8 As other commentators have identified (Mitchell 2008, Durie 2008, McClure 1998) Māori communities have had a conflicted and complicated relationship with the welfare state and with piecemeal welfare measures in existence before the conception of the welfare state proper to 1938. One reason for the complex nature of this relationship is that the system was unable to deal effectively with Māori collectivist ways of living, which led to the wholesale exclusion of Māori from the system in the earlier decades of its operation. This exclusion is discussed in Chapter 3. Examples abound where Māori were deliberately excluded from receipt of benefits on the basis of a presumption that Māori could live off the land or that collectively held resources would suffice to mitigate any apparent hardship for Māori. McClure tells, for example, of Māori families in the 1950s pooling their family benefits much to the horror of Department of Social Welfare (DSW) officialdom; an individualised system, in its view, was being undermined by such collectivist, if entirely rational, responses.
- 9.9 Indeed, the welfare state created an individualised system of entitlements whereby the State stood in the place of a wage earning labourer who could no longer earn. If a man had lost employment and was unable to work, the State-provided income replacement was necessary to ensure that the worker and 'his' family could survive and the worker could eventually be returned to work when work was found. If a woman was widowed or deserted, the State could effectively step into the shoes of the dead or departed male wage earner to ensure continuity of the family unit; a far lesser cost to the State than allowing the family to be destroyed by such events.
- 9.10 Even by the 1938 passage of the Social Security Act, New Zealand's population was scarcely recognisable from the days of the Destitute Persons Act 1877, where responsibility for hardship had been thrown back onto the families of those suffering the hardship. The gender balance of the colonial population changed, and the European population became more urbanised and settled in the 20th century. Māori, by contrast had been rebuilding their communities after the upheavals of war, disease, and catastrophic land-loss in the 19th century had decimated the population. As the Māori population began to rebound in the 20th century after World War II it underwent

another demographic revolution which saw a rural population closely bound to traditional land and tribal structures largely transform into an urban population, in most cases separated from land and tribal structures and those traditional means of welfare.

- 9.11 In view of the rate and extent of these fundamental changes for Māori society it is hardly surprising that the attitudes of Māori leadership in the 1930s and 1940s towards the new welfare system were decidedly ambivalent. Sir Apirana Ngata, on the one hand, believed that the system posed a grave threat to Māori tribal autonomy, and feared that Māori would become increasingly disenfranchised from traditional strongholds of their lands and culture. In his view Māori ought to be able to provide for their own, with the primary goal of retaining tribal identity. On the other hand, other Māori leaders such as T.W. Rātana saw important opportunities in the growth of the welfare state for Māori to attain a level of social equality that had been denied them. (Cheyne et al., 2005).
- 9.12 Discriminatory treatment of Māori under the earlier welfare legislation such as the Old Age Pension Act 1898 ended formally in 1935 with the election of the Labour Government, which cemented its alliance with Rātana in 1936 and pursued assimilationist policies of achieving Māori equality with other New Zealanders and socio-economic development.
- 9.13 The Māori contribution to World War II also led to high Māori expectations that Māori would be given a level of freedom in decision making that would enable Māori to gain a level of control over their own affairs. Indeed the passage of the Māori Social and Economic Advancement Act 1945 was supposed to herald a new dawn of Māori cooperation and involvement in decision making with the State and the then Native Affairs Department. In reality the new dawn of the post-war era heralded several decades where Māori aspirations were often submerged within the overall drive towards assimilation. Even during the height of the assimilationist era, examples of differential treatment still persisted in practice, as was indicated by the *Pūaoteatātū Report* of 1986 (see below).
- 9.14 New generations of urban Māori, whose parents had migrated to the cities began to experience extraordinarily high rates of unemployment from the early-mid 1980s, of over 25 per cent. The upheavals experienced within Māori family units, within tribal organisation, and the continued exclusion of Māori from the mainstream of New Zealand society, due to a number of different causes, have continued to this day, ensuring that Māori have needed, in increasing numbers, the support of the welfare state.

- 9.15 Māori responses to this growing reliance of Māori on the welfare system have continued to reflect the different kinds of conflicting opinion as expressed above by Rātana and Ngata. As stated in 1993 by Ngāi Porou leader Sir Api Mahuika (1993):
- “Government should look at the dole and benefits. As part of the dole payment, you should train and promote your skills. Cut the dole for Māori who will not train, it’s the only way to get back on our feet.”
- 9.16 This view was also echoed by Co-President of the Māori Party and current Crown Minister Tariana Turia in October 2008:
- “Yes. Absolutely. I’m opposed to the dole. I have to be very frank with you – I don’t think it is healthy for the spirit of our people, to be getting money for doing nothing.”
- 9.17 Much of this ambivalence appears to centre on the ongoing debate among Māori as to the extent the State should be deeply involved in Māori lives. Notions of Māori rangatiratanga are powerful and fundamental for many Māori, yet no other body exists other than the State with the resources to advance the equal participation of Māori in New Zealand society, or indeed the survival of large numbers of Māori throughout the country in times of need and crisis.
- 9.18 The role of the Crown/Māori relationship based on the Treaty of Waitangi has been critically important. On the one hand Māori have sought to be included in mainstream New Zealand society without differentiation on the basis of race or culture. On the other hand, Māori have consistently sought recognition of rights accruing to all Māori by virtue of the Treaty of Waitangi. Such rights have included the rights (and duties) of common citizenship under Article III and the guarantee of tino rangatiratanga under Article II.
- 9.19 A citizenship-based discourse which emphasises commonality between Māori and Pākehā in New Zealand has a long history. For example, with the beginning of World War II Apirana Ngata urged Māori to enlist for military service as *the price of citizenship*, an important expression of an idea of common citizenship as demonstrated by Māori and Pākehā participation in the armed struggle for national defence. This idea of common citizenship is not always easy to reconcile with the other powerful discourse of rangatiratanga, and arguably Māori social history is full of dialogue and tension between these two important ideas.

Citizenship and rangatiratanga: tension and congruency

- 9.20 In social policy the tension between ideas of common citizenship and long-lived notions of rangatiratanga is particularly starkly observed because social laws and mechanisms are supposed to be universally applied, tribal and community affiliation notwithstanding. Yet in line with the notion

that Māori have the right to control their own destinies Māori have been consistent in calling for greater control of resources and decision making over Māori families and whānau development. This consistent thread can be seen throughout the 20th century, and continues today. The early drafts of the Māori Social and Economic Advancement Bill of 1945, for example, were drafted by a Māori working party convened by Eruera Tirikatene and included substantial measures for Māori decisionmaking and a reconfiguring of the Native Affairs Department that were mainly rejected. Such pressure for Māori control over social policy began to re-emerge strongly in the public view in the 1970s and 1980s.

- 9.21 One area where such pressure for the recognition of Māori decisionmaking can be seen in Māori calls for changes in the care of children, such as the 1986 *Pūaoteatatū Report* written by the Ministerial Advisory Committee on a Māori Perspective for the Department of Social Welfare. The report was aimed at providing Māori views on:

“the most appropriate means to achieve the goal of an approach which would meet the needs of Maori in policy, planning and service delivery in the Department of Social Welfare”.
- 9.22 The report, the result of consultation with 65 marae, has proved extremely influential among Māori in succeeding decades, if not at all adhered to consistently by governments. The committee made a number of recommendations centred on the notion of enabling Māori to provide more effective care for Māori children caught up in the foster system. Mātua Whāngai was another important Māori-driven initiative of this era that initiated the return of Māori foster children to the care of extended family. It was one of the first examples of effectively bicultural policy developed in accord with Māori thinking, and with Māori endorsement, that showed the benefit of better enabling Māori to create Māori solutions to Māori social problems. Māori calls for greater Māori control over the care of Māori children are also central to Whānau Ora, for example.
- 9.23 Notwithstanding the demonstrable consistency of Māori calls for decision-making power over the futures of Māori families, ambivalence still remains about how best social security and the benefit system itself ought to be provided for Māori as a whole.
- 9.24 The citizenship strand of discourse was, for example, prevalent in the 1972 Royal Commission on Social Security, emphasising the importance effecting true Māori participation in society, in keeping with the notion that Māori have citizenship rights in common with all New Zealand citizens that are yet to be fully actualised. Such themes were also prevalent in the 1988 Royal Commission on Social Policy. The *Pūaoteatatū Report*, while calling for greater Māori input and control of Māori destinies, also exposed many points

at which Māori felt excluded or disenfranchised from the whole welfare system, and from New Zealand society as a whole.

- 9.25 In the early 1990s, DSW committed to creating and sustaining a bicultural strategy that reflected the ethos, if not all the recommendations, of *Pūaoteatātū*. The Director-General of Social Welfare, Margaret Bazley (as she was then) stated in the framework for bicultural development *Te Punga* in 1994:
- “Te Punga has the firm commitment of all of the Department’s senior management. We are determined to overcome our history of monocultural biases. Everyone in the Department must accept responsibility to produce results. Let that be a significant contribution, from which we can all take pride, to the achievement of a fair and just society.”
- 9.26 While the rhetoric and aims of biculturalism have fallen out of favour, the outcomes expected from this framework are still relevant. Getting it right for Māori means, for example:
- Māori perspectives are a key part of policy development and service delivery
 - The Department is an organisation in which Māori are comfortable being Māori in the workplace
 - Māori have equal access to employment opportunities within the Department
 - Cultural skills are utilised effectively and recognised
 - All staff are culturally aware and sensitive to Māori needs, customs and issues
 - Appropriate links are in place with local iwi, hapū and whānau
 - There is active promotion of policies and practices which will result in improved outcomes and greater well-being for Māori.
- 9.27 It is noticeable, significant and regrettable that *Te Punga* has all but fallen out of sight in the current administration. Forthcoming welfare reform must not make the same omissions.

Welfare Justice alternative working group Submissions

- 9.28 The close relationship and interplay between rangatiratanga and citizenship-based approaches were also reflected in the submissions heard by the Welfare Justice alternative working group. In the view of such submitters, the New Zealand economy and social security system do not deliver the same outcomes to Māori as to other citizens, as evidenced by all manner of statistics.
- “There needs to be an acknowledgement that a substantial number of those requiring social welfare assistance are Māori, Pasifika and new immigrants. The reasons they are in the lowest socio-economic group need to be addressed.”

- 9.29 In addition, Māori aspirations for rangatiratanga over social policy and the outcomes of social security were strongly expressed, especially with regard to expectations held for Whānau Ora. Submissions included the following points:
- “Hokia mai te mana motuhake o tēnei whenua ki a mātou ngā tāngata whenua.”
 - “There should be appropriate input from Māori into the design and delivery of social welfare policy. Māori providers, both iwi and urban Māori organisations, should be adequately funded for the social welfare help they are providing.”
 - “Tāngata Whenua o Aotearoa are over-represented in prisons and on welfare. Whānau Ora is not a new concept. As a people how can we address this?”
 - “We are committed to the philosophy of Whānau Ora, but think it should be independent of Government.”
 - “A portion of Treaty settlement monies should be used to create sustainable employment in all rohe.”

Māori citizenship: weaving the threads

- 9.30 Māori ambivalence about the role of the State in Māori lives and the fact that so many Māori lives are now so intertwined with the welfare system necessitates, we believe, a cautious and considered approach to welfare reform. Such reform should not be undertaken without careful regard for the social history of Māori, including the findings of the *Pūaoteatātū Report*, the experience of Matua Whāngai, the rollout of Whānau Ora and the ideas and consent of Māori communities as a whole.
- 9.31 Such reform must, we believe, take into account both Māori calls for rangatiratanga as well as notions of common citizenship as they relate to Māori. Such a dual approach we believe, ultimately needs to explore options for the achievement of effective Māori citizenship. This will be explored further below.

The need for an ethical approach

- 9.32 Indeed, as with all reform of the welfare system, we consider that reform and the system that results ought to be founded upon an appropriate ethical base, with an ultimately ethical objective in mind. Without an ethical focus to the enquiry the choices for change will have no ethical or principled basis. The social security system has suffered from many piecemeal and uncoordinated changes since 1964. If the proposed reform is indeed to be fundamental, far reaching and coherent, it must have an ethical focus. Without such a focus, any reform will effectively be short term and timebound. In regard to Māori, a failure to consider the policy history, Māori notions of citizenship, and the aspirations of Māori communities to have a

degree of control of their lives and social security futures will lead to long-term, if not short-term, failure of the reform.

- 9.33 Indeed the consequences of a failure to employ an ethical focus can be severe and unforeseen, leading to a failure to define and delimit the relevant problems that need to be solved. A lack of such an ethical focus will also lead to a mechanistic and utilitarian enquiry that can only necessitate mechanistic and utilitarian responses.
- 9.34 While the primary brief of the Welfare Working Group (WWG) is “to undertake an expansive and fundamental review of New Zealand’s welfare system” the enquiry it has been carrying out is focused on solving a very particular problem, that is set out in the following terms: “how do we decrease the numbers of beneficiaries in receipt of long-term benefits?” Of course this question is one that ought to be answered, but the answers ought to arise after an ethical and careful enquiry in line with a fundamental review. Framing far reaching reform around such a narrow question is unwise. The responses to a narrow question can only be correspondingly narrow and tailored accordingly to that very specific question. An ethical response is no longer possible; only a pragmatic, mechanistic and short-term response can answer such a question.

An ethical question

- 9.35 With this caution in mind, and also in view of the intricacies of Māori engagement with social security and the State in general, we now consider the ethical focus for the enquiry posed in this chapter. Despite the brief of the WWG, the question to be answered ought not be: “how can the numbers of long-term [Māori] beneficiaries be reduced?” The ethical focus, we believe should be broader, in order to encompass State-driven and Māori-driven solutions to be incorporated in a fundamental and expansive review of the welfare system. We consider the following ethical focus for reform of the welfare system in regard to Māori to be apt: **“How can Māori and the Crown best achieve full, effective Māori citizenship in the pursuit of social security?”**
- 9.36 Actualising the rights and duties of Māori citizenship is, in our view an appropriately broad and important starting point. People engaged in the life of their whānau, hapū, iwi, urban-based collectives and general communities are more likely to choose to act for the benefit of all rather than seek only to benefit themselves as individuals or their immediate family groups. Engaged people are more likely to comply with the rules and regulations of the welfare system rather than ignore or undermine them. The goals and objectives of the state administering the welfare system and the people experiencing the welfare system are more likely to be congruent. The best way ultimately to reduce the numbers of Māori long-term beneficiaries may well be by

ensuring those beneficiaries are able to actualise their citizenship rights and duties. Engaged and active Māori citizens would simply be less likely to stay in long-term benefits.

- 9.37 How best, then to tap the potential of those Māori unable at present to access those rights and duties of Māori citizenship? This focus might sound similar to other communitarian or citizenship-based notions within social policy in the 1980s and 1990s such as “participation” and “social inclusion”. However those ideas have proved problematic, as Māori notions of what *comprises* community participation and social inclusion differ markedly from the notions of other populations in New Zealand. The query needs to be aimed at Māori notions of citizenship, because a focus on generating and regenerating engaged Māori citizenship is more likely to be cognisant of Māori needs and aspirations in this country, and less presumptive of a one-size-fits-all solution.
- 9.38 Article 3 of the Treaty of Waitangi provides for and confirms the rights and duties of citizenship to all Māori, and by logical extension to all New Zealanders. While citizenship is obviously a common status, the ways in which Māori exercise their citizenship differ from other citizens. In order for Māori to be able to take up and exercise their rights and duties of citizenship they must be freed from the barriers that would destroy any such civic aspirations. The destruction of such barriers to Māori exercising their citizenship is the province of both Treaty partners imparting the rights and duties of citizenship pursuant to Article 3 of the Treaty of Waitangi. Any citizen able to exercise his or her citizenship must have, or be assisted to have:
- Knowledge of their duties and entitlements as citizens
 - A sufficient sense of ownership of the citizenship status to ensure compliance with and engagement with those rights and duties
 - Physical and mental capacity to take up these rights and obligations along with full and appropriate supports so that the citizen is able to exercise them.
- 9.39 We do not propose that Māori citizenship is substantively different from any other kind of citizenship. We do not accept, for example, that Māori citizenship is a different standard of citizenship to the citizenship of other New Zealanders. What we do say, however, is that many Māori, facing the barriers that they do, are often less able to exercise their citizenship rights and duties either as individuals, or as members of whānau, hapū, iwi or urban collectives. Furthermore, Māori are more likely to exercise their rights and duties of citizenship either on a collective basis, or with collective ends in mind. Finally, and in part due to the previous two points, the suite of rights available to Māori is slightly more extensive, because of their ability to enforce certain rights in the courts that other New Zealanders

cannot enforce, such as native title rights, Treaty of Waitangi rights and protections, and protections at international law, to the extent that either of the last two sets of protections are incorporated in domestic law. However, the enforceability of such rights and protections are supposed to ensure substantive equality, as well as equality of access to the benefits of being in society. Without these extra layers of protections and rights Māori are simply less likely to enjoy the same standard of citizenship that others enjoy (Humpage, 2006).

9.40 In order to answer the ethical question “how can Māori and the Crown best achieve full, effective Māori citizenship in the pursuit of social security?” we suggest the following lines of enquiry for any genuine, fundamental welfare reform that will result in the long-term decline in numbers of Māori in receipt of long-term, or indeed any, benefits:

- Knowledge of their duties and entitlements as citizens
- Ensuring Māori citizens have the physical and mental capacity to take up those rights and obligations
- A sufficient sense of ownership of the citizenship status.

Knowledge of their duties and entitlements as citizens

9.41 Māori citizenship, and indeed any kinds of citizenship brings with it a set of rights and duties that engaged Māori citizens individually and collectively seek to adhere to, whether consciously or not. At the heart of these rights and duties are a set of concepts embodying Māori ethical values that set out a programme for engaged citizenship. The ethics of any cultural system are hard to describe and even harder to get right. Such is the case here. For the sake of this chapter we return to the ethical values as discussed by Mānuka Henare in regards to developing sustainable social policy. We consider that fundamental reform of the welfare system should involve engaging Māori who are enmeshed in that system on a basis informed by the uptake and promulgation of the ethical values reflected herein. Interestingly, it might be argued that the notions of reciprocal obligation and mutual exchange within these descriptions are far more demanding than anything set out in the existing welfare system. The prospect of Māori organisations and the Crown implementing a system based on these values may well be daunting, and most certainly ought to be debated freely if the problems identified in *Pūaoteatatū* and in Chapter 5 of this report are not to be repeated.

Whanaungatanga (group relationships). This concept addresses notions of solidarity and belonging, as well as the rights and obligations of kinship. Māori collectives, family units and tribal units are, or ought to be, underpinned by the concept of whanaungatanga. The Māori citizen operates according to the following ethical values:

- Tohatoha – social responsibility in the form of fair distribution of material goods

- Whakapapa – the great organising principle of Māori life, involving the kinship connections between people and between people and the natural world
- Manaaki – the principle of caring and generosity towards others
- Hau – spiritual source of the obligatory principle of reciprocal exchange and goods and services
- Utu – the principle of exchange
- Mauri – the recognition of life force in all things.

Taonga tuku iho (taonga handed down to current generations by earlier generations). Engaged Māori citizenship cannot occur in a cultural or historical vacuum:

- Matauranga – knowledge
- Tikanga – the correct or appropriate processes for determining the rights and obligations of the individual or group)
- Ritenga – practices set out and determined by tikanga, notions of acceptable behaviour.

Te Ao Tūroa (the environment). In line with the whakapapa connections between people and the natural world, engaged Māori citizenship also imports obligations of guardianship or stewardship over the natural world:

- Whenua – land
- Ngāhere – forests
- Moana – seas
- Awa, puna – waterways

Tūrangawaewae (a standing place). The rights and obligations of Māori citizenship insists on the expression of the following values that cement a Māori citizen, or Māori citizen group's place in the world:

- Kainga – care of and acknowledgment of the primary place of abode
- Marae – care of and engagement with a place of belonging for Māori individuals and collectives, including the open space where debate and whaikōrero take place, and the house where historical and mythological narrative are physically embodied
- Rohe – respect for geographical boundaries
- Urupā – care of and nurturing of ritually restricted places of burial
- Koha – reciprocal exchange of contributions with another.

9.42 There is little possibility that the Māori citizen fully engaged in the ethical values outlined above will be dependent on state benefits for the long term *except* in the circumstances of need that would require it.

Ensuring Māori citizens have the physical and mental capacity to take up those rights and obligations

- 9.43 To exercise such citizenship rights and duties and to live ethically Māori must have a standard of living that enables such exercise. In many cases, as now, engaged Māori citizens will also be able to achieve such a standard of living without the need for state assistance.
- 9.44 However, citizenship, Māori or otherwise, is pretty hard to exercise when life is dominated by lack of food or decent housing or other such basics. Where Māori are in receipt of benefits, their opportunities to exercise their citizenship **should not be compromised**. In the parlance of the Royal Commission on Social Security the idea of “participation” was important, and remains so today, as outlined in Chapter 4 of this document. Having enough resources to participate in society is an important first step, with the observation that participation is not an end in itself. Māori, like any citizens, need security enough so they are not forced into reliance on the self, family or other association in such a way to encourage pure self interest (necessitated by need) and a retreat from civic life and ethical living.
- 9.45 It is important to note here that the attainment of paid employment **can never be a prerequisite of citizenship**. Paid work is important, provided the work is of sufficient quality and duration to enable the employee to exercise good life choices. Few would ever deny any person the right to vote, for example, based on their employment status. Similarly the ability to exercise citizenship cannot be withheld on the basis of the presence or absence of paid employment.

A sufficient sense of ownership of the citizenship status

- 9.46 In essence, the idea of owning Māori citizenship depends on the achievement of rangatiratanga for Māori citizens and Māori citizen groups. Māori social history is replete with Māori initiatives which have seen Māori determined to take control over decisions affecting their lives. At times the Crown has partially acceded to such desires, and the current institutionalisation of kohanga reo, kura kaupapa Māori, Whānau Ora, and earlier initiatives such as Matua Whāngai are evidence of this compromise, notwithstanding flaws in implementation and delivery.
- 9.47 It is critically important that Māori citizens and Māori citizen groups have decision-making power over fundamental reforms of the welfare state insofar as such reforms affect them. From such a position of strength Māori-generated ideas to achieve social security outcomes for Māori are more likely to succeed.
- 9.48 Such rangatiratanga would necessarily be exercised with civic intent that upholds the rights and duties of Māori citizenship. Māori decision making

that is not carried out in the interests of Māori citizenry, but under the auspices of an elite consulted few is not rangatiratanga in action, but self interest, which actively undermines the existence of an active, engaged Māori citizenry in all its complex manifestations.

- 9.49 It is important not to lose sight of the ultimate result of fundamental reform of the welfare system; the improvement of outcomes for Māori. Any reform must have at its heart tools and ideas to raise the living standard of Māori, and to lift Māori individuals and collectives out of poverty.

In conclusion

- 9.50 There is much at stake for Māori in any fundamental reform of the welfare state. Māori discourse over the past century or more has tended to incorporate two powerful ideas, the first being that of the pursuit of social equality through the maintenance and strengthening of a common citizenship with other New Zealanders. This idea has been a strong founding principle of the welfare state, over many decades of its development, with notions of social inclusion and participation being examples, albeit notions that have had far less currency in very recent years. The second powerful idea has been that of rangatiratanga, involving increased Māori individual and collective decisionmaking over Māori futures (among many other things). At times these fundamental notions have seemed incompatible, in view of the universal application of the welfare state system and the inability of the Crown to effectively or coherently deal with Māori decisionmaking in social service delivery.
- 9.51 Both ideas can and must co-exist and we consider that one fruitful way to combine these ideas is to consider the notion of Māori citizenship. While citizenship is obviously a common status, the ways in which Māori exercise their citizenship differ from other citizens, and the structure of rights that enable Māori to exercise their citizenship can differ. Māori often face socio-economic barriers that can prevent the exercise their citizenship rights and duties either as individuals, or as members of whānau, hapū, iwi or urban collectives. Furthermore, Māori are more likely to exercise their rights and duties collectively, and Māori citizenship also involves rights that other New Zealanders don't have such as native title rights, Treaty of Waitangi rights and protections, as well as rights and protections at international law.
- 9.52 The idea of Māori citizenship is not a new one, and it has critically important implications for welfare reform. The notion of citizenship already places an obligation on the Crown to ensure that all citizens are able to discharge their rights and duties of citizenship. In view of the existence of a Māori manifestation of citizenship, the obligation on the Crown is yet to be discharged. Rather than ask a limited utilitarian question such as "how do we decrease the numbers of [Māori] beneficiaries in receipt of long-term

benefits?" we propose a different starting point and a different question altogether. An appropriate and ethical enquiry for the Crown to undertake as part of its drive to undertake welfare reform is to ask a profoundly ethical question: **how can Māori and the Crown best achieve full, effective Māori citizenship in the pursuit of social security?**

9.53 We contend that the answers provided by Crown and Māori to that question would include ethical strategies to ensure that Māori citizens have, individually and collectively:

- Knowledge of their duties and entitlements as citizens
- Physical and mental capacity to take up those rights and obligations
- A sufficient sense of ownership of the citizenship status to ensure compliance with and engagement with those rights and duties.

Such a response would, we consider, be far more effective in reducing Māori reliance on benefits than any short-term, mechanistic enquiry such as that currently being undertaken. It is not, we urge, too late.

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CHAPTER 10

FAMILIES AND POVERTY

- 10.1 As Chapter 3 notes, social security was established on the basis of a set of assumptions about family structures and norms which are now significantly different from those which existed in the 1930s. Changing expectations about women's participation in paid employment, increased family disruption through divorce and separation, the growing numbers of single parents, the increasing role played by many grandparents in caring for grandchildren (both permanently and in a supportive role), and the diverse cultural approaches to family are but some of the indicators of these changes, changes which have considerable importance for current social security provision for families and children. Pool and Jackson's paper prepared as a background for this report shows a range of dimensions of change in the structure and composition of families.
- 10.2 While these changes are significant, the fundamental importance of ensuring that **all** children are adequately provided for remains a key role of the social security system. However, alleviating and preventing child and family poverty also remain critical goals. Historically, provision for children and the costs of children have been major causes of poverty and have provided an important impetus for the development of social security programmes. Child poverty, irrespective of how that is defined and measured, continues to be a major weakness in social security systems. As noted in Chapter 3, various forms of tax credit have been used in a number of countries to provide financial support for families and reduce levels of child poverty. However, the New Zealand approach to tax credits has focused almost entirely on support for those in paid work. The requirement to be in paid work as the determinant of eligibility for tax credits (other than the Family Tax Credit) has left between 170,000 and 200,000 children in poverty.
- 10.3 Paid work may reduce poverty for some (although it does not do so for all children whose carer/s are in paid work). This begs the question of the situation of those children whose carer/s are not in paid work. It is simply totally intolerable that those children should be condemned to continuing poverty. As the Commissioner for Children noted in his presentation to the Welfare Working Group forum in June 2010, children under the age of five are more likely to live in a benefit household than older children. Hence, it is the youngest children who are most likely to experience poverty; they and their families are placed in unacceptable circumstances because of government policy choices and priorities.

- 10.4 One of the recurrent themes throughout the meetings, submissions and hui was the significance of poverty, especially but not exclusively child poverty. Universally, benefits were seen as inadequate and not providing sufficient income to enable beneficiaries to enjoy either an acceptable and adequate standard of living or provide adequately for children so that they (children) had the opportunities expected for New Zealand children. Indeed, the general picture of life for beneficiaries can only be described as survival, at best. Clearly, current benefit levels do not meet the needs of beneficiaries and their children.
- 10.5 A number of submissions argued that it is poverty, not dependency, that is the major issue facing beneficiaries, pointing to the economic, social and community costs of both growing poverty and growing inequality. (These submissions are summarised in What We Heard). One submission summarised the approach of many other contributors when they noted: "it is not being on a benefit long term per se that causes the problem, rather the long term poverty and related social problems that arise out of having insufficient income". The written submissions and the hui and meetings in different parts of the country provided powerful evidence of both the extent and effects of poverty caused by inadequate benefit levels, a poverty that is particularly but not exclusively experienced by children and families. To have any meaning and validity, reform of welfare must include increases in basic benefit levels.

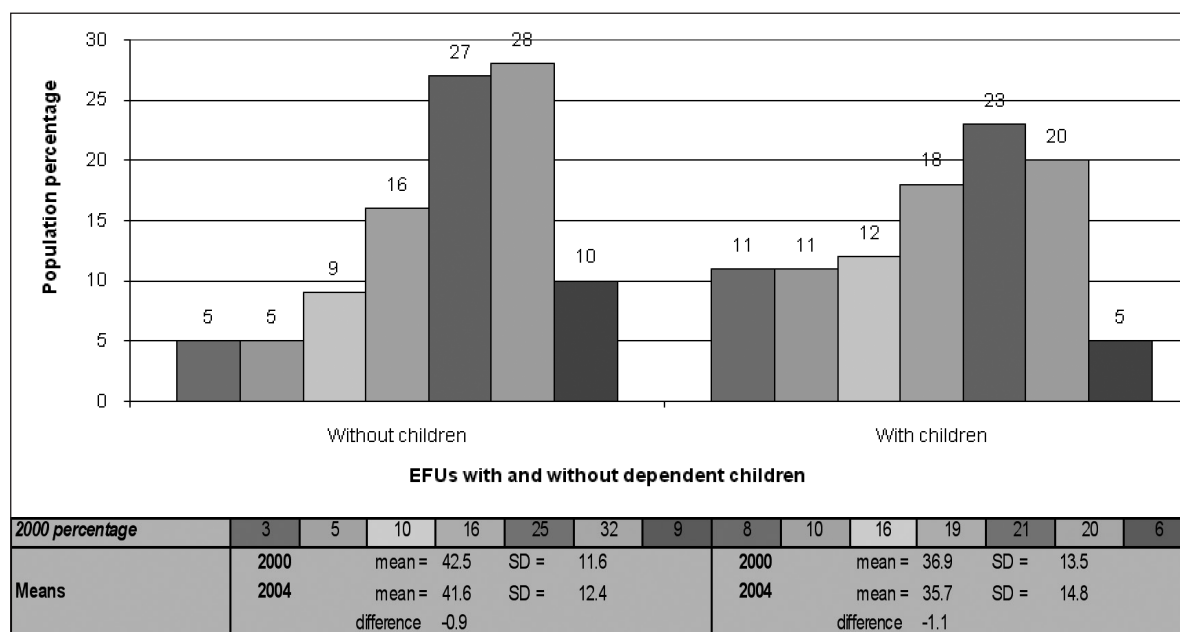
Child poverty

- 10.6 There is now an extensive international literature on child poverty, reviewing its causes, nature, distribution and effects. It is clear from that literature that children internationally are disproportionately represented in the poverty statistics in most countries around the globe. It is equally clear that government policy has the potential make a significant difference in reducing the extent of child poverty internationally. The available evidence makes it clear that countries with the lowest levels of child poverty are the countries with the highest levels of government financial support for children. (See Bradshaw et al., 2007; OECD 2009 and Hodgson and O'Brien 2010 for a review of New Zealand's position relative to other countries).
- 10.7 All of the discussion on child poverty, and indeed on poverty generally, begs the question of how to define and measure poverty, that is, what do we mean by 'poverty'. Recent New Zealand research has highlighted two important but distinct dimensions of poverty in this country. These two dimensions are also reflected in the international literature.
- 10.8 First, poverty has an important financial dimension. That is, poverty means that families and individuals do not have sufficient money in order to be able to enjoy the opportunities and activities regarded as essential and/

or necessary in contemporary New Zealand society. For children, that means that children are deprived because their parent/s or carer/s cannot afford to provide them with the opportunities regarded as essential for children in New Zealand in the first decade of the 21st century. In a concrete sense, this means such things as not being able to take part in sport and recreational activities, not being able to pay exam fees, not having sufficient and appropriate food etc. These gaps in children's lives occur because their families/carers do not have sufficient money to meet their needs. We heard a number of comments about this in the course of the meetings and hui we attended and these comments were reiterated in the written submissions.

- 10.9 The second way of measuring and assessing poverty is through the study of living standards. This approach has been developed extensively over recent years, both in New Zealand and internationally. Indeed, the work on the New Zealand Living Standards studies is widely regarded as among the leading work in the field around the world. Briefly, that work has measured living standards across the New Zealand population using four components: economising, ownership restrictions, restrictions on social participation and self assessment of living standards. (For a full report on this work, see Jensen et al., 2006). The advantage of measuring living standards (in comparison with income-based measures) is that living standards measures provide information about how people are living in comparison with their contemporaries, while income measures simply measure available financial resources.
- 10.10 The New Zealand Living Standards studies allocate a score on each of these four components and then uses that score to create a hardship scale, ranging between severe and significant hardship at one end of the scale and good and very good at the other end. (Slightly different terms are used in the first study, but the range along the scale is the same).
- 10.11 In the published work from these studies, it is clear that children are significantly over-represented in households with the poorest living standards. Figure 10.1 shows this very clearly.

Figure 10.1 Living standards distribution of families with and without dependent children amongst the population aged less than 65 years (2004)



Source: Jensen et al., 2006, p. 101.

- 10.12 There will be an immediate objection to these definitions of poverty and living standards, namely that there is sufficient money but it is not spent wisely, and is wasted and is frittered away, either through poor spending decisions or because it is wasted on such activities as gambling. Some people do not spend their money wisely, but not all of those who make unwise decisions are poor. Moreover, while acknowledging some poor decisions do occur (a situation which we all experience from time to time), the undoubted harsh reality is that for most families and children experiencing poverty, the fundamental question is a lack of money. Even if all monies was always spent in what might be considered the best way, there would simply be insufficient income to meet the needs of all family members. Furthermore, the evidence we do have, both anecdotal and formal, indicates that parents prioritise the needs of their children, often to their own disadvantage, especially mothers.
- 10.13 Child poverty is unacceptable for two major reasons. First, it blights the lives of children as children. That is, their opportunities to take part in the activities and experiences that should be enjoyed by all children in Aotearoa New Zealand are unnecessarily restricted as a result of their parents' financial circumstances. Too often, they are unable to take part in recreational and social activities which are enjoyed by their peers. Their educational opportunities are reduced and their health status is impaired. The Living Standards research includes a range of items specifically designed to gather

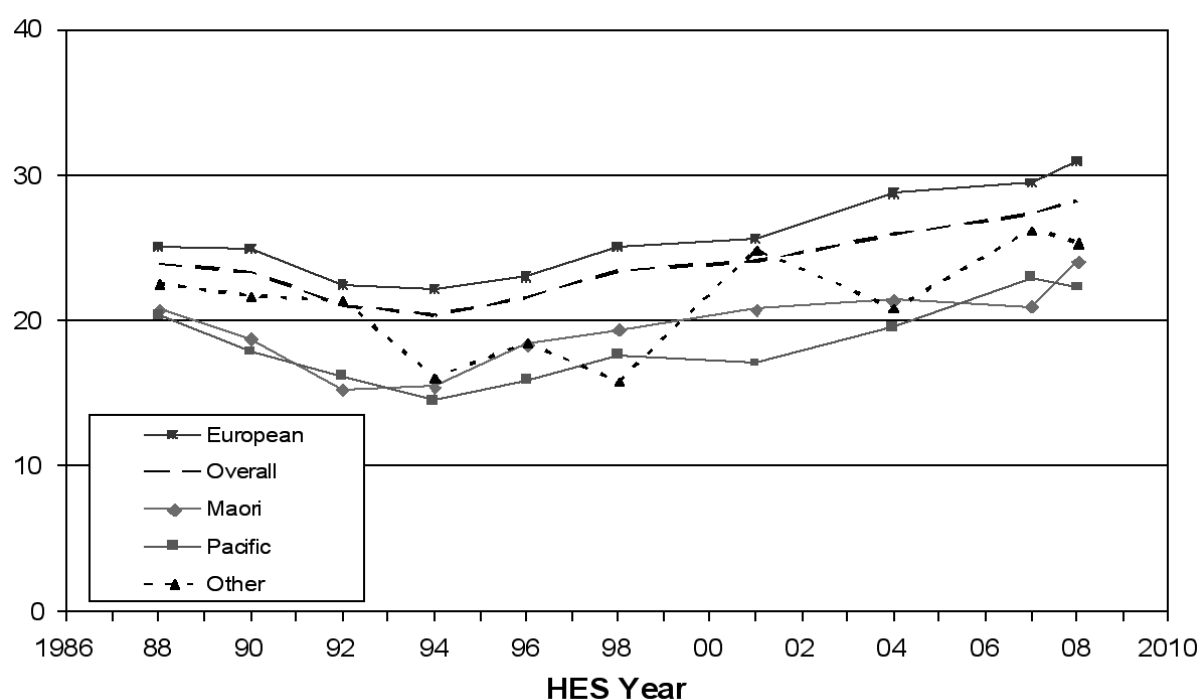
information about households with children such as postponing doctor's visits and not having suitable wet weather clothing because of cost, to use two examples. The requirements for children were well captured in the words of one of our submissions: "a fundamental principle is that all children are entitled to a standard of living that enables them to have access to decent housing, good quality food, clothing, medical care, and a good education".

- 10.14 Second, failure to provide adequate opportunities for all children represents serious economic failure into the future. Children's lives matter now. They also matter into the future both for the children themselves whose own future potential is reduced as is their capacity to contribute fully socially and economically. Their earnings are reduced and New Zealand's economic future is, at worst, put at risk, and at best significantly weakened. Child poverty represents wasted economic opportunities. If the same failure was applied to other areas of the economy and economic infrastructure, it is hard to imagine that there would not be a major concern and demand for action. Such concern and demand for action needs to happen to reduce child poverty. The expenditure involved represents a cost but, more importantly, it is an investment in New Zealand's future.

Māori and Pasifika

- 10.15 The economic and social consequences are brought into even sharper focus when we focus specifically on the position of Māori and Pasifika children. As the discussion in Chapter 9 clearly demonstrates, the economic and social position of these groups is significantly worse than that of the Pākehā population. At the same time, however, their demographic structure is also different, with larger family sizes and, therefore, greater economic potential. Put bluntly, New Zealand cannot afford economically to continue to have a growing proportion of its population in such a significantly inferior economic position, to say nothing of the social dimensions. The population projections make it very clear that our continuing failure to attend to the levels of poverty facing Māori and Pasifika children and improve their economic position has very serious consequences for New Zealand society. Of course, to emphasise the point again, it has equally serious consequences for Māori and Pasifika households and communities. (See also Chapter 9).
- 10.16 The data is very clear. Along with Māori, Pasifika peoples are much more likely to live below the poverty line and are over-represented among families and households living in serious hardship or hardship, as reflected in the Living Standards research. The HES data for 2008 show that 61 per cent of Pasifika people were in the bottom two quintiles, compared with 22 per cent in the top two quintiles, measured after housing costs. For 'other' ethnic groups, the comparable figures are 49 per cent and 28 per cent (Perry, 2009a: 32. Table B7). As Figure 10.2 shows, median household incomes for Pasifika peoples rose between 2000 and 2006 but fell away again in the ensuing two years.

Figure 10.2 Real equivalised median household incomes (BHC) by ethnicity, 1988 to 2008 (\$2008)

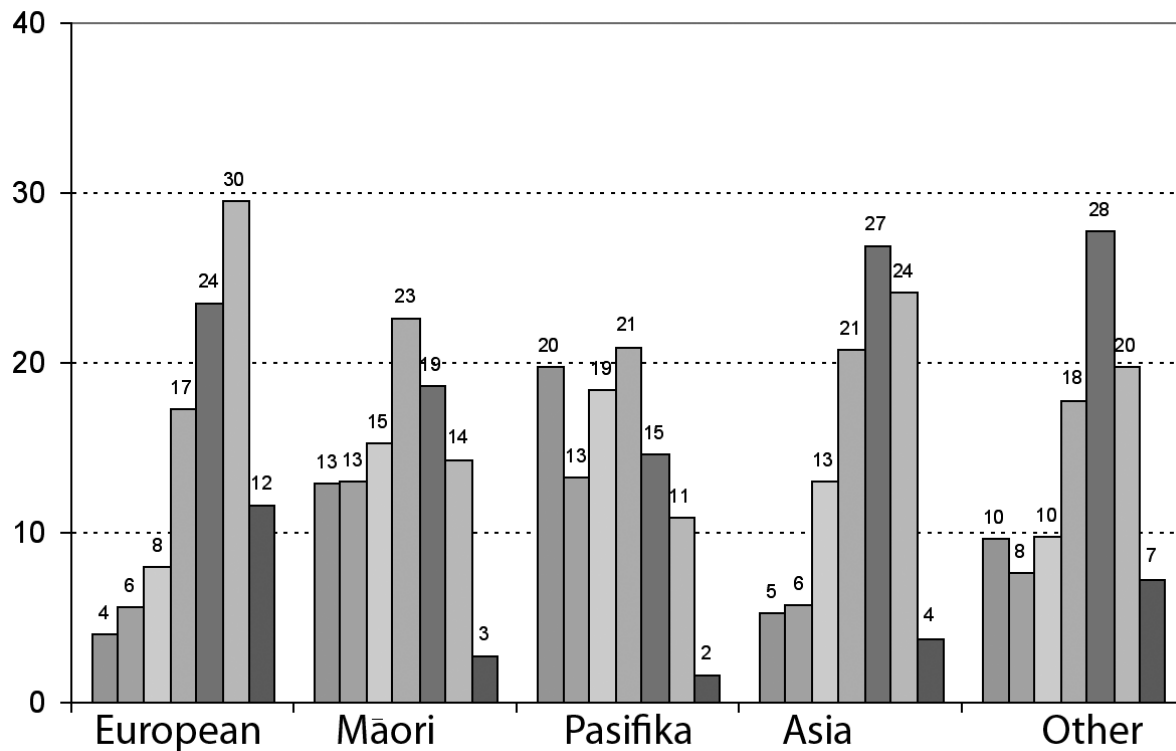


Source: Perry, 2009a:54. Figure D8

10.17 Between 1988 and 2008, Pasifika people experienced a lower increase in income than any other ethnic group (Perry, 2009a, Table D5). In a similar vein, they were much more likely to have a low hardship score than any other ethnic group, with 42 per cent recorded as being in severe hardship or hardship, using the ELSI scale (Perry, 2009a, Table K2). They had a score of 42 compared with the population as a whole where the score was 15. The 'other' ethnic group recorded a score of 15.

10.18 Moving from income-focused measures to household living standards presents a similar picture. The mean ELSI score for Pasifika households was 29.7 while for the "other" population the figure was 38.5 and for the Asian population it was 39.1. For the population as a whole it was 40.3 (Perry, 2009b: 49. Table E 2.5). Figure 10.3 captures the contrasts between different ethnic groups well. The hardship rate for the Pasifika population fell between the 2004 and 2008 studies.

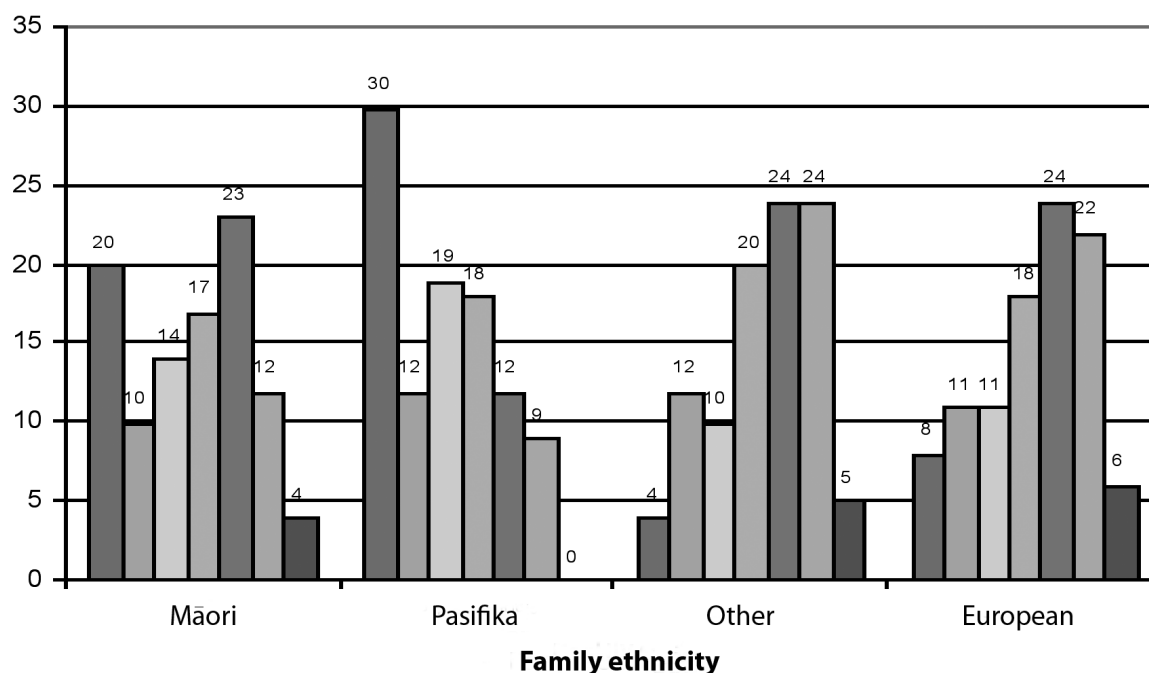
Figure 10.3 Distribution of ELSI-3 scores by ethnicity, 2008 LSS



Source: Perry, 2009b: 52. Figure E 2.6

10.19 While the 2008 data did not include information about children in different ethnic groups, this was included in the 2004 report. Figure 10.4 illustrates clearly the extent to which children in Pasifika households experienced more significant hardship than other ethnic groups. As with Figure 10.3, the left hand figures represent “severe hardship” and then the scale progresses to “very good living standard” at the right hand end.

Figure 10.4 Living standards distribution of families with dependent children by ethnicity (2004)



Source: Jensen et al., 2006

10.20 The General Social Survey carried out in 2008 and 2009 reported that 31 per cent of Pasifika respondents said that they did not have enough money to meet everyday needs, the highest proportion of any ethnic group. Furthermore, in that survey, 20 per cent of Asian participants also reported that they did not have enough money to meet everyday needs (Statistics New Zealand 2009).

10.21 There is limited data on the position of refugees. The most reliable information comes from the Refugee Voices study (Department of Labour, 2004). In that study, 78 per cent of established refugees (refugees who had been in New Zealand for more than five years) were dependent on a government benefit, while a benefit was the main source of income for 90 per cent of recently arrived refugees (refugees who has been less than six months in New Zealand). Of the recently arrived refugees, two-thirds interviewed at six months said they did not have enough money to make ends meet, an experience that was reported by half of those who were interviewed after two years. The main reasons given for not having enough money were the costs of daily living such as rent and food.

10.22 The limited available evidence was reinforced by the evidence provided at the hui and meetings where participants noted the difficulties facing both Pasifika and refugee families and communities as they struggle to provide adequately for themselves and their dependent children. The comments at those meetings and hui reinforce the available data drawn on above. Clearly, however, both Pacific and refugee communities are over-represented in the poverty statistics. An effective welfare service and adequate benefit levels are very significant in reducing those levels of poverty, and changes which reduce benefit entitlements and/or payments or create tighter conditions around eligibility will have a significant and detrimental effect on both Pasifika and refugee households. As indicated elsewhere in this report, sustained long-term assistance in order to meet needs adequately will be important if there is to be real improvement for some of these families and households; there are powerful ethical and economic grounds for providing that assistance.

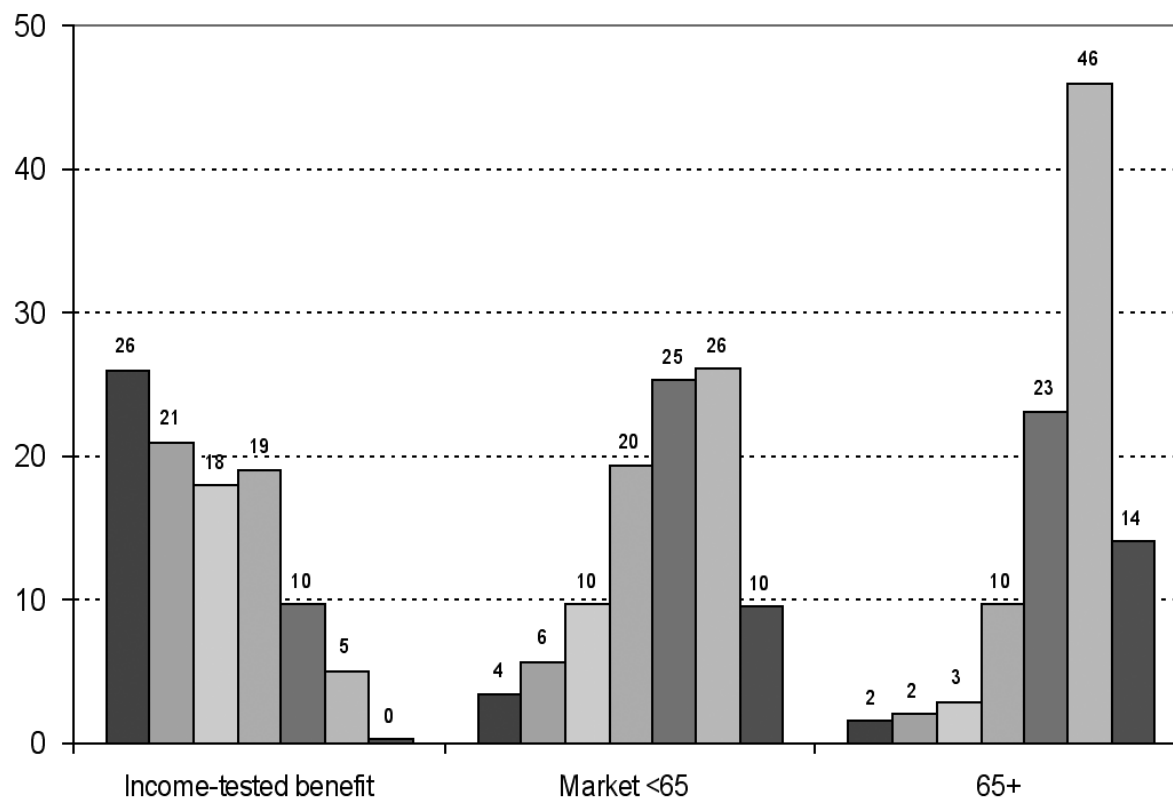
Families with disabled members

10.23 Families in which there is a disabled child are a sector that is more likely than almost any other sector to experience large and ongoing poverty. When the family is one that relies on a benefit the poverty is likely to be severe. Child disability allowance is a very small contribution to the ongoing extra costs that include transport and travel, housing, equipment and very high health costs.

Children in benefit households

10.24 Among children living in income poor households and/or households with the worst living standards, children in households relying on a social security benefit are the most disadvantaged, with poverty rates and poor living standards which are much worse than their counterparts whose parent or carer is in paid work. Figure 10.5 below shows this very clearly.

Figure 10.5 Distribution of Living Standards by income source



Source: Perry, 2009: 51.

- 10.25 A report by the Centre for Research and Evaluation in 2007 stated that the living standards for beneficiary households with no earned income was such that there were no reserves for emergencies, falling to below 40 per cent of median household income even with the Accommodation Supplement (Centre for Research and Evaluation, 2007).
- 10.26 It is equally clear from the submissions we received (both oral and written) that current levels and experiences of child poverty are unacceptable to both beneficiaries and those who work with them through social service and community organisations. The damage resulting from the 1991 benefit cuts remains. Its effect has been felt by children and families for the last two decades and remains.
- 10.27 There are also consequences for the wider society now through higher health costs for children and families using health and social services. Those consequences will continue to be experienced by New Zealand children and by the wider society for many years to come, both through higher health and social service costs and through the opportunity costs arising from the reduced educational attainment and employment outcomes for these children, their children and grandchildren. Recent work in the United States has estimated the cost of poverty at four per cent of GDP. Applying a

similar methodology to the New Zealand economy, one of our submissions calculated that the economic cost to New Zealand of the current child poverty rates is \$6 billion per annum.

- 10.28 The majority of the children in benefit households living in poverty or severe and significant hardship are in sole parent households. Government policy and the focus of the Welfare Working Group has been on increasing participation in the paid workforce for this group, through a range of measures over the last decade, culminating in the Social Security (New Work Tests, Incentives, and Obligations) Amendment in 2010.
- 10.29 Working for Families (WFF) has reduced the levels of poverty for children whose parents are in paid work. However, it is unacceptable for government policy to provide support for children on the basis of the employment status of their parent/carer. **All** children are entitled to adequate financial support, irrespective of parental work status. The levels of child poverty have been too high for too long and as a result significant numbers of children have been affected by living in households with inadequate incomes, households which, in the main, are dependent on government incomes.
- 10.30 For more than three decades, the Domestic Purposes Benefit (DPB) and the position of sole parents has been a source of major focus and attention in the social security debates, policy and legislation. A range of assumptions and assertions have been made about the causes and effects of the growth in numbers receiving the DPB and the benefit itself has become the subject of increased sanctions and tighter eligibility conditions, represented most recently in the 2010 Amendment to the Social Security Act referred to above. The numbers receiving the DPB and the length of time are a major focus for the Welfare Working Group. Numbers peaked in the late 1990s, fell earlier this decade as employment increased and as WFF was introduced. As the recession took effect over recent years, numbers have again increased, with the largest one year jump last year for the last 20 years.
- 10.31 While the numbers receiving the benefit have increased in recent years, analysis of trend data suggests that numbers of sole parents may have plateaued (Centre for Social Research and Evaluation, 2010). Significantly in the light of the current debates, the same report goes on to note, "there was a gradual downward trend in the proportion of families with younger children headed by a sole parent between the late 1990s and 2007, a period of sustained economic growth" (Op.cit. 2010: 4). These two basic facts indicate that the current negative and highly critical attacks on sole parents and the arguments about projected future costs are weakly founded.

Sole parent families

- 10.32 Clearly, paid work has an important role to play in the living standards and poverty relief for some sole parent families and a range of measures are needed to make this a meaningful and appropriate route for these families. These measures include responsive, appropriate and flexible workplace environments, affordable quality childcare (including after school care) and, most importantly, paid work which provides high quality jobs with an appropriate wage.
- 10.33 There is no evidence that lone parents lack motivation to undertake paid work; evidence from the review of the 1999 reforms (Department of Labour and Ministry of Social Development, 2002) points to this as does a recent review of the international evidence completed for the MSD (Singley, 2003). What this and other work highlights is that there are multiple barriers to undertaking paid work, particularly sustainable paid work; barriers are often linked to accumulated negative experiences, starting with childhood events and a range of personal, community, family and institutional factors need to be attended to through a sustained commitment to support and assistance if paid work is to be a viable option. The current directions and practices move in the opposite direction. Furthermore, it goes without saying that paid work needs to produce an adequate, reliable income that will support children and families if it is to be a meaningful option. Baker's (2009) recent work shows that Canada has a higher percentage of maternal employment than Australia and New Zealand but also has a higher poverty rate for women.
- 10.34 Much of the policy and practice emphasis in relation to sole parents has been focused on either securing return to paid employment or on developing personal plans around training which will facilitate subsequent movement into the paid workforce. While there are advantages in paid work, the current, almost exclusive, emphasis on paid work represents a very blunt instrument and fails to adequately meet the needs of all sole parents and their children. For some, paid work will be a very satisfactory and desirable choice, as long as that can be managed while meeting the needs of children. That final proviso, *meeting the needs of children*, is a very important caveat and the complexities and demands of doing that are too often overlooked or ignored in the debates. Indeed, it often appears that children and their needs are seen as an annoying extra requirement in the debates, receiving at best secondary and passing consideration.
- 10.35 However, government policy cannot concentrate exclusively on participation in the paid workforce if reducing poverty and raising living standards is to be an objective. For some households with children this will not be appropriate because of the needs and requirements of the children. Age and health

considerations may make paid work entirely inappropriate. Moreover, as we have noted elsewhere in this report, concentrating on paid work denigrates the extensive caring work and volunteering work undertaken by so many parents, especially sole mothers.

- 10.36 Many of the submissions we received and comments made in the hui and meetings highlighted the difficulties and issues facing sole parents as they cope with meeting the needs of children. The multiple roles and demands which sole parents face as they attempt to juggle the needs of children, the requirements of employers and their own lives are too often ignored or significantly downplayed. Moreover, they are also faced too frequently with the contradictory demands of being in paid work and, at the same time, being available to meet their children's needs and provide the care and supervision which they require. This is a demanding task for two adults but in two adult households the demands can be shared; for sole parents the demands must be met individually. It is worth noting in this context that one of the consequences of the introduction of WFF, which gave increased support to families who met the work test requirements, was that a number of partnered women left paid work and were able to be full-time carers for their children (Centre for Social Research and Evaluation, 2010). This option is not available for sole parents, without the significant cost of living below the poverty line.
- 10.37 The evidence from the available research is that the health of sole parents and of their children is significantly worse than the female population as a whole (Baker and Tippin, 2004). This inferior health status has important consequences for both sole parents themselves and their children. One of the most significant consequences is that their capacity to undertake paid work is reduced, as is their potential to do so continuously in a way which meets the needs of employers. Meeting their own health needs and those of their children means that many are less likely to be able to commit confidently to a regular work requirement. It also means that they will need time to take care of their children's needs. Failure to provide this care as they attempt to meet work requirements results in criticism for not meeting the needs of their children.
- 10.38 There are two key issues here. First, the need for greater flexibility in the workplace in order to meet and juggle the competing demands, a flexibility that is not always possible because of employment requirements. The range of personal and health factors and the needs of children discussed above provide a clear indication of many of the issues which require flexibility in the workplace environment.

- 10.39 Second, and more importantly, the need to adequately recognise and support the work and demands of caring. As we have indicated elsewhere in this report, the wider approach to what is defined as 'work' was noted by a number of the submissions we received and was a common topic in the hui and meetings. The caring work of parenting is the most important work in our society and the very strong emphasis on paid work for sole parents negates its importance and suggests that it is not of particular significance and is certainly inferior to participation in the paid workforce. (See the discussion in Chapter 7 and the summary from the submissions). Providing adequate financial, emotional and legislative support for families is an important part of our society's supports and commitment to children and families. It is one of the significant components of social security's shared commitment discussed in Chapter 2 as a core part of the values and vision of a social security system. Failure to provide the support required can only be interpreted as a neglect of the significant number of children and families living in poverty and in severe and significant hardship.
- 10.40 On a number of occasions during our meetings we heard of families and children who had been living in circumstances of significant disadvantage and hardship over a considerable period of time. These families and children were clearly going to need sustained assistance for some time in order for the necessary changes to occur. This requires comprehensive, holistic and ongoing support and assistance, characteristics of funding and programmes which have too often not been part of the services provided as legislative, organisational and financial requirements are constantly changed. Many individuals and organisations talked of constant changes in services and funding as the dominant characteristic. There needs to be a commitment to long-term investment in these families if change is to occur. Whānau ora provides one potential model of service delivery, although its potential is still to be tested.
- 10.41 While the majority of DPB recipients are caring for dependent children, there are also a number who are receiving the benefit while caring for dependent adult family members, often members with a significant disability. In 2009, 6,016 Carer's Benefits were being paid to people caring for a sick or 'infirm' person (Ministry of Social Development 2010. Table CB.1). The growth in community care and the increasing focus on care by family members (predominantly women) over recent decades is an important, often neglected, dimension of social security support for carers and recognition of the work of caring. Carers are often placed in a very difficult financial position as a result of their work with family members. Financial support for those providing this care needs to be at a level which ensures that their contribution does not mean that they are being pushed below the poverty line. We certainly heard stories in our meetings and hui indicating significant

difficulties in securing adequate assistance and of failure to appreciate the demands of providing this care. For example, one woman caring for her autistic adult child told of being advised that she could seek paid work now that her child had been provided with a week of respite care.

- 10.42 While we have focused here on caring for those with a disability, we would also note that many of the issues around support for caring, both financial and emotional, apply equally strongly to grandparents caring for their grandchildren. It is clear from listening to the submissions and reviewing the available evidence that both the grandparents and the children for whom they care have been placed under significant financial pressure as a result of inadequate government assistance to enable them to provide support and care to their whānau.

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CHAPTER 11

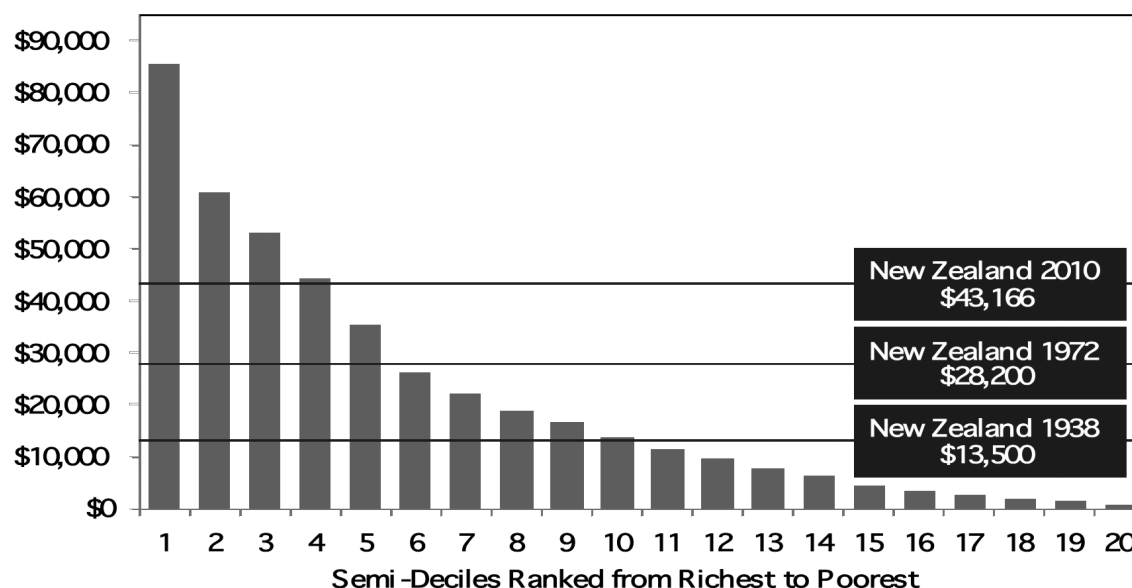
CAN WE AFFORD OUR SOCIAL WELFARE SYSTEM?

International and historical context

- 11.1 The principle that general taxation should be used to provide support for those unable to support themselves was first expressed in New Zealand through the Old Age Pensions Act 1898 (see McClure, 1998). The principle was greatly extended with the passing of the Social Security Act 1938, which levied a flat tax on incomes to create a Social Security Fund for financing superannuation, unemployment and health benefits. The 1938 Act also created a universal free healthcare system covering general practitioners, public and mental hospitals, and maternity care. Other important elements to follow were an expansive programme of state housing and a commitment to universal, free and compulsory education (which went back to 1877 for primary education and to 1914 for secondary education for pupils who had passed their proficiency exam).
- 11.2 Further expansion in social welfare occurred after the 1972 report of the Royal Commission of Social Security. An amendment to the Social Security Act in 1973 introduced the Domestic Purposes Benefit (DPB) for lone parents and increased other benefits (particularly the Family Benefit, which was paid to the primary care-giver, typically the mother). The Accident Compensation Scheme began in 1974, followed by New Zealand's taxpayer-funded universal superannuation scheme in 1976.
- 11.3 The Social Security Act 1938 was introduced at the tail end of the Great Depression, so that the willingness of citizens to fund the system should be recognised as an impressive act of social solidarity in those very hard times. To provide an international and historical context for this statement, Figure 11.1 presents data on the distribution of the per capita gross domestic products of 180 countries listed in the International Monetary Fund's World Economic Outlook database. Each column shows the average per capita gross domestic product (per capita GDP) of the countries in each semi-decile, ranked from the richest group (semi-decile 1) to the poorest group (semi-decile 20). Thus the top nine countries in 2010 are estimated by the International Monetary Fund to have an average GDP of NZ\$85,550 per person, while the same statistic for the bottom nine countries is estimated to be just NZ\$641.

Figure 11.1

Estimated distribution of the per capita gross domestic products of 180 countries, measured in current New Zealand dollars (using purchasing power parities), 2009



Source: International Monetary Fund, *World Economic Outlook* database, October 2010; Statistics New Zealand *National Accounts* data; and Rankin (1992).

Notes: The New Zealand estimates for 1972 and 2010 are based on separate Statistics New Zealand data series, linked in common years. The 1938 figure comes from Rankin's (1992) estimate, converted to 2009 prices using the consumer's price index.

11.4 By the international and historical standards shown in Figure 11.1, New Zealand enjoys a comfortable standard of living. Replicating a pattern found in almost all income distribution data, the top five per cent have a level of per capita GDP that is much higher than the rest (an average of \$85,550 compared to \$60,820 for the next group of nine countries). New Zealand's per capita GDP in 2010 was \$26,670, which puts the country in the top twenty per cent internationally and close to the average of the fourth semi-decile. Further, that figure is 50 per cent higher than the country's per capita GDP in 1972, and three times higher than in 1938. Thus New Zealand is considerably wealthier now than when our predecessors founded our social welfare system in 1938 and expanded it in 1972.

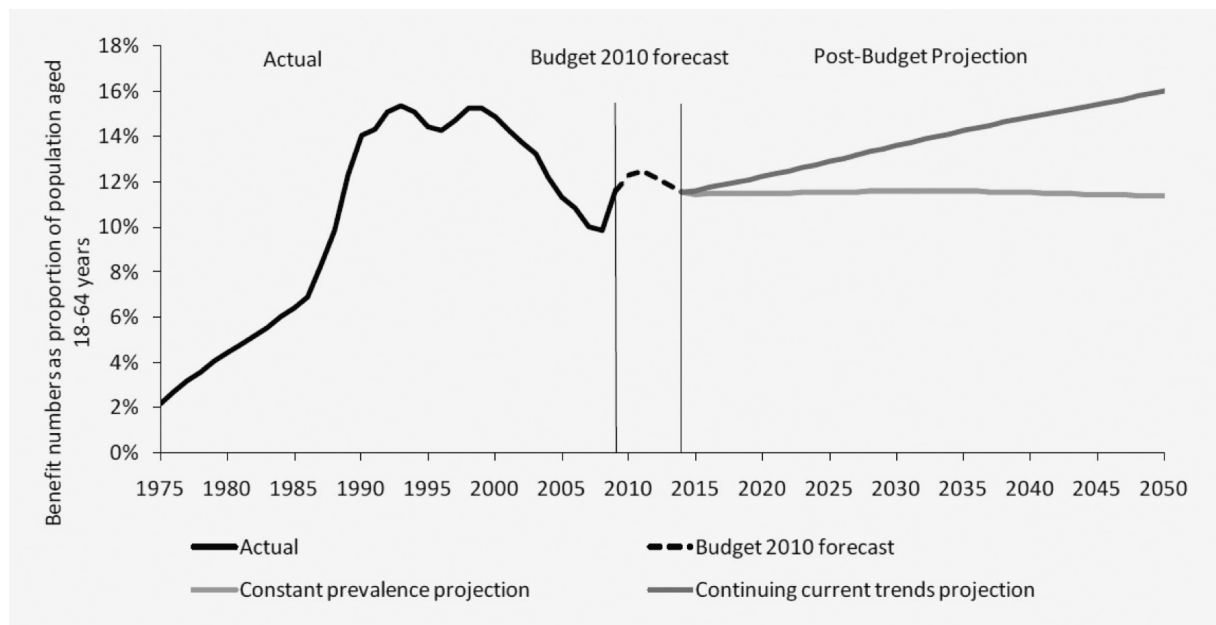
11.5 From its earliest days, the designers of New Zealand's social security system recognised that the system could be sustained only if income-earners were willing and able to fund it, which meant ensuring few people were in need of income support. Writing three years after the passing of the Act, for example, one of New Zealand's most prominent civil servants expressed this

requirement as follows (Sutch, 1941, p. 140): Social Security “can only meet sustenance payments while there are comparatively few in need of it. This means the continuation of full employment by other means.”

- 11.6 Figure 11.2 presents the actual (1975 to 2009) and projected (2010 to 2050) rates of total benefit receipt as a percentage of the population aged 18-64 years, under two scenarios prepared for the Welfare Working Group (WWG). In the first scenario, benefit numbers remain at their age and gender specific rates that prevailed in 2009. In the second scenario, which the WWG suggests is more likely, age specific growth in sickness benefit and invalid’s benefit receipt increase at their historical rate of 1.4 percent every decade.

Figure 11.2

Actual and projected rates of total benefit receipt under two scenarios as a percentage of the population aged 18-64 years, 1975 to 2050



Source: Welfare Working Group (2010, Figure 6.4, p. 62) using data from the Treasury’s Long-term Fiscal Model 2010.

Notes: The ‘constant prevalence’ projection assumes age and gender specific rates of benefit receipt remain at 2009 rates for all benefits. The ‘continuing current trends’ projection assumes the number of sickness and invalids beneficiaries increases in line with historical trends from 2014 (1.4 per cent every decade).

- 11.7 Figure 11.2 shows that benefit numbers had been falling consistently for a decade (from 15 to 10 per cent of the working age population) before the 2009 recession caused a sharp increase in unemployment after the global financial crisis. Neither projected scenario incorporates the falling trend. If it was assumed that the age specific rates might return back towards their 2008 values when the recession ends, the conclusions would be more optimistic. Nevertheless, even in the more pessimistic projection, the proportion of the

working age population receiving a benefit does not return to the peak levels of the 1990s (around 15 per cent, shown by the added dotted horizontal line in the figure) until 2040.

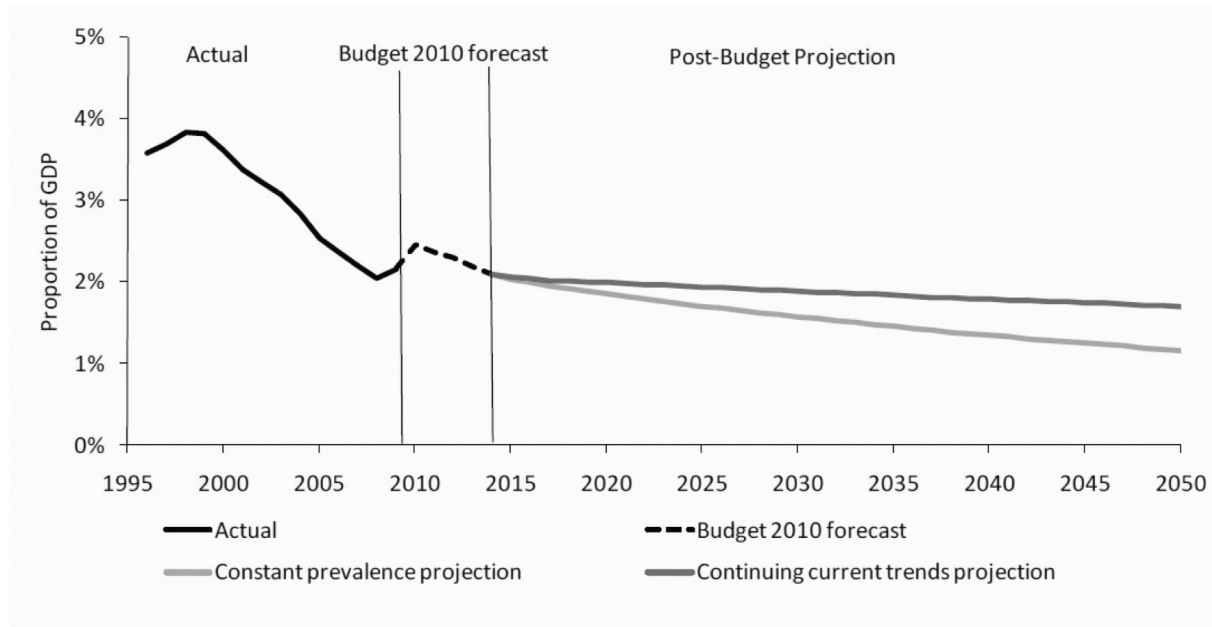
- 11.8 The analysis in the previous paragraph leads to two core principles for the social welfare review:
- First, a key determinant of trends in the number of people receiving social welfare income support is the state of the labour market and its supply of paid jobs. This means that government policies should aim to maintain full employment (as the Sutch quote in paragraph 11.5 recognised), with an emphasis on developing 'good quality' or 'decent' jobs; see the further discussion in Chapter 7 of this report.
 - Second, New Zealand has 30 years to address any unsustainable increase in the percentage of working age people receiving social welfare income support. This opens up the possibility that the best public policy is to invest more resources in the preparation of the next generation (by addressing their income, housing, health and education needs in the present); see the further discussion in chapters 6 and 10 of this report.

Income transfers and deadweight losses

- 11.9 New Zealand no longer operates a separate social security fund, but the underlying principle remains the same as in the 1938 Social Security Act. Residents pay taxes, some of which revenue is used by the government to transfer income to residents who meet the pre-determined criteria for receiving social welfare income support. The economic modelling by the WWG shows that that under both of its scenarios the value of these transfers is expected to fall as a percentage of gross domestic product, and is well under the level experienced during the 1990s. This modelling is reproduced in Figure 11.3. It reinforces the point already made in paragraphs 11.7 and 11.8 that there is no immediate crisis in New Zealand's social welfare system.

Figure 11.3

Actual and projected expenditure on main benefits under two scenarios as a percentage of gross domestic product, 1995 to 2050



Source: Welfare Working Group (2010, Figure 6.6, p. 63) using data from the Treasury's Long-term Fiscal Model 2010.

Notes: The 'constant prevalence' projection assumes age and gender specific rates of benefit receipt remain at 2009 rates for all benefits. The 'continuing current trends' projection assumes the number of sickness and invalids beneficiaries increases in line with historical trends from 2014 (1.4 per cent every decade).

11.10 Nevertheless, there is an important issue to address. Income transfers through the taxation and welfare systems affect incentives for people to work in paid employment. People paying taxes keep a smaller amount of every dollar earned and so their hours of paid work, or their efforts to achieve a promotion to a higher salary, may fall. For people receiving social welfare, they lose some of that income support as they earn more wages, and so their hours of paid work may also fall. The reduction in paid work by both groups is an example of what economists call the 'deadweight loss' of taxes. This loss is irrecoverable, which leads some to argue that taxes in New Zealand are currently too high.

11.11 Economists also recognise, however, that there is a cost to every choice that is made, so that the presence of costs is not sufficient reason per se to change a policy. Instead, the key issue is whether the social costs are outweighed by a policy's social benefits. Drawing on submissions received and on contributions at our public meetings, the Welfare Justice alternative working group (Welfare Justice 2010, pp. 39-42) has discerned three broad frameworks for analysing the social benefits of New Zealand's welfare system, based respectively on compassion, human rights and the well-being

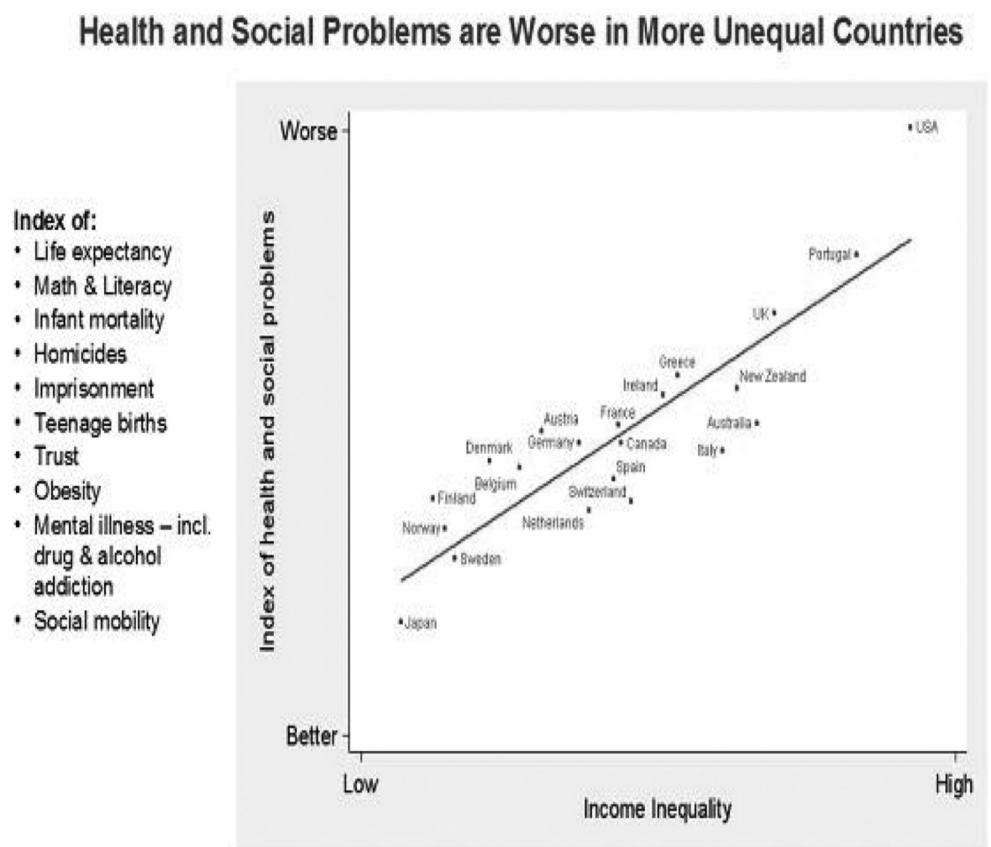
of communities. These three frameworks are not contradictory, but each one offers different insights into the role that social welfare plays in New Zealand.

- 11.12 The first framework draws on the history of social security in New Zealand, going back to the vision embedded in the Social Security Act 1938, in the Royal Commission on Social Security in 1972 and in the Royal Commission on Social Policy in 1988. This vision builds on citizens' *compassion* for people in need who require support so they can participate in the community. Social welfare is an efficient mechanism for citizens to give effect to this compassion. The following quote reflects many similar sentiments in the feedback we received: "As a society we need to be proud of the historical contribution of our benefit system in lifting people out of poverty (such as New Zealand Superannuation, Working for Families) and strive to rectify the areas where the system fails to achieve this."
- 11.13 The second framework draws on the language of *human rights*. It argues that the Government (on behalf of citizens) has a duty to ensure that everyone has their rights respected as enshrined in the Universal Declaration of Human Rights and other ratified agreements. A detailed analysis submitted by the Human Rights Commission, for example, commented that: "The right to social security is of central importance in guaranteeing human dignity for people when circumstances deprive them of the capacity to fully realise their economic, social and cultural rights. Social security, and its interface with the tax system, redistributes resources and thus plays an essential role in reducing and alleviating poverty and promoting social inclusion."
- 11.14 The third framework draws on the language of promoting the *well-being of communities*, as reflected, for example, in the statutory purpose of local government: "(a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future." Consistent with this focus, social welfare policies (including their funding from taxation) should be evaluated by their overall contribution to the sustainable well-being of communities. As one submitter noted: "Welfare reform needs to have at its centre an unrelenting focus on wellbeing, rather than on work. A focus on well-being will provide a quite different set of recommendations that will not only make welfare reforms more sustainable, but will do so by moving us towards a fairer society in practice."
- 11.15 In the course of its work, the Welfare Justice alternative working group was made aware that New Zealand's welfare system is creating particular issues for some communities. Chapter 9 has presented material on the experience of Māori communities, for example, and Chapter 8 has presented material on the experience of people with physical and mental impairments.

We were told that there are different issues for Pasifika communities, for migrant communities and for refugee communities; some of these issues are discussed briefly in Chapter 10. The Welfare Justice alternative working group regrets that it did not have the resources to follow up these pointers, but we accept that a 'wide ranging and fundamental review of New Zealand's welfare system' needs to pay particular attention to the different issues faced by different communities in New Zealand. We apologise that despite our best efforts we were unable to fully implement this principle in our own work.

- 11.16 In thinking about the well-being of *communities*, attention must be given to the arguments made in Richard Wilkinson and Kate Pickett's recent book, *The Spirit Level: Why More Equal Societies Almost Always Do Better*; see the dedicated website at www.equalitytrust.org.uk/. The Wilkinson-Pickett thesis is that statistical data provide evidence that large *inequalities* of income within a society damage the quality of life for *everyone* (including those who are relatively well-off) compared to more equal societies. The website's overview page begins with a commentary and graph that mentions New Zealand: "In rich countries, a smaller gap between rich and poor means a happier, healthier, and more successful population. Just look at the US, the UK, Portugal, and New Zealand in the top right of this graph [Figure 11.4], doing much worse than Japan, Sweden or Norway in the bottom left."

Figure 11.4 Illustration of the Wilkinson-Pickett income inequality thesis



Source: www.equalitytrust.org.uk/why.

www.equalitytrust.org.uk

Equality Trust

- 11.7 Arguments of this nature have also been made in New Zealand. *Poverty in an affluent society – A statement from the New Zealand Catholic Bishops*, for example, was released a decade after church leaders and members of many faith traditions joined together in the 1998 Hikoi of Hope to urge the government to address social inequalities. It included the following reflection: “When a section of our society is allowed to fall into poverty and hardship, everyone is at risk from the symptoms of that economic violence. The diseases that thrive in conditions of poverty threaten the health of everyone; the violence that accompanies economic stress does not confine itself to the poorest suburbs; and the uncertainty of those living with insecure work is exposed in mental illness and suicide rates.”
- 11.8 Successive governments since 1984 have introduced policy changes that have widened the gap between rich and poor households in New Zealand, often in deliberate efforts to increase incentives for work in paid employment. The evidence gathered by Wilkinson and Pickett suggest that such a sharp rise in inequality to such a high degree is harmful to the well-being of New Zealand residents; hence policies to reduce poverty and reverse the recent increases in income inequality would serve the common good of the country.

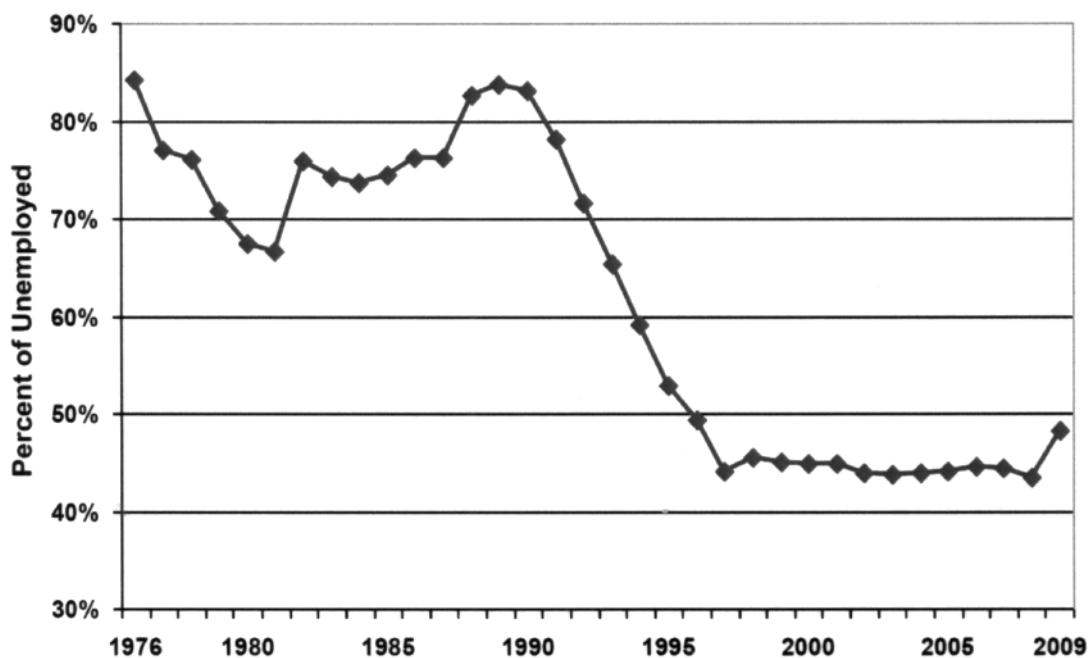
Social insurance

- 11.19 The terms of reference for the WWG (2010, p. 1) include “how welfare should be funded, and whether there are things that can be learned from the insurance industry and the Accident Compensation scheme (ACC) in terms of managing the Government’s forward liability”. The previous section has already noted the analysis by the WWG that shows social welfare payments are projected to fall as a percentage of GDP over the next four decades (Figure 11.3 above), so there is no particular crisis in managing future funding requirements. Nevertheless, there has been some speculation about whether New Zealand should move to a social insurance scheme such as the Employment Insurance programme in Canada (see its website at www.servicecanada.gc.ca/eng/sc/ei/index.shtml and a recent commentary in New Zealand by Stanford, 2010).
- 11.20 Differences between social insurance and social welfare programmes are well summarised in Martin Feldstein’s 2005 Presidential Address to the American Economic Association: “Social insurance programs are also very different from welfare programs. Welfare benefits are means tested, i.e., they are paid only to those with incomes (and assets) below some level. ... In contrast, social insurance programs are ‘event conditioned.’ Benefits are paid when some event occurs in an individual’s life regardless of the individual’s income or assets. ... Unlike welfare programs, social insurance programs are not designed to be vehicles for income redistribution. Although some fraction

of social insurance outlays is paid to those with low incomes, most of the benefits go to middle and higher-income households.”

- 11.21 From an economist’s perspective, the major strength of social insurance is that it explicitly links benefits received to income earned; that is, a worker pays premiums from wages into an account that then provides payouts linked to his or her previous wage (normally for a fixed period of time) if redundancy, pregnancy or illness results in time out of paid employment. This feature reduces the deadweight loss created in a tax-funded social welfare programme paying benefits unlinked to previous wages. The major weakness is the mirror image of this strength: people who are unable to build up a qualifying work history, or who remain unemployed for longer than the maximum period covered by the payouts, are excluded from the scheme, thus failing to achieve the primary purpose of social security. This feature is illustrated in Figure 11.5 for the Canadian Employment Insurance scheme. In the 1990s, tighter eligibility rules reduced the percentage of unemployed people who qualify for the scheme. The ratio is now less than half, even during the sharp rise of unemployment in the 2009 recession.

Figure 11.5
Percentage of unemployed covered by the Canadian Employment Insurance scheme, 1976 to 2009



Source: Stanford (2010, Slide 29).

- 11.22 Lack of universal coverage means a social insurance scheme must be backed up with a social welfare scheme to provide a safety net for those who are excluded. Typically the safety net is set at a very low level, compared to the social insurance payouts. A submission from the Human Rights Commission commented specifically on this: "From a human rights perspective, social insurance models typically perpetuate the inequalities of working life into old age and make less adequate provision for contingencies over time. Because of this, most countries provide a two tier system of social assistance alongside social insurance. Stigma is more likely to attach to a second tier safety net provided as social assistance. This can increase people's reluctance to apply for assistance they require, compared to an 'as-of-right' or categorically defined system."
- 11.23 The Welfare Justice alternative working group received one submission that thought the idea of a social insurance scheme was worth considering further, as long as employers do not have to pay and there are mechanisms to avoid fraud, corruption and abuse of the system. Other submissions, however, were all opposed to the system, generally on the grounds that 'social inclusion and equality are not well-served by social insurance types of systems'. This theme is reflected in the following quotation from the submission made by the New Zealand Council of Christian Social Services (NZCCSS):
- 11.24 "There is insufficient evidence that an insurance based benefit system could support people in need more effectively and at a lower cost than New Zealand's tax-based system. Primary risks of insurance based systems are lack of coverage, insufficient coverage and inequitable access. NZCCSS does not support a move to change the current welfare system to an insurance type approach. The current system should be viewed as a form of social insurance in which we all contribute via our PAYE contributions. A move to an insurance model will increase inequities and further disadvantage the most vulnerable via the creation of a two tier system which provides better support for those with a paid employment history. Insurance based schemes would require compulsory employer contributions to make them effective and sustainable. New Zealand does not have a good history of employers accepting such responsibilities."
- 11.25 The Social Policy and Parliamentary Unit of The Salvation Army similarly submitted its belief that a social insurance approach should be rejected: "A key element of the welfare state was that of offering citizens protection against unforeseen calamities and setbacks in their lives. The idea of collectively offering of protection against such risks was due in part to the fact that misfortune was sometime random and catastrophic but also that many people lacked the resources to adequately protect themselves against

this risk. This is as much the case today as it was in the 1930's and this inequity in the ability to protect yourself against risk should be the basis for rejecting social insurance models of welfare – we believe.”

- 11.26 The Welfare Justice alternative working group agrees with these two submissions. A move to a social insurance scheme would further widen gaps between the poor and the comfortable in New Zealand, and would have an unacceptable impact of increasing child poverty. It recommends that this option be rejected.

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CHAPTER 12

WELFARE – ALTERNATIVES AND SOLUTIONS

- 12.1 Throughout the public meeting and submission process run by the Alternative Welfare Working Group, we were heartened to hear not only peoples' complaints about what is wrong with the current welfare system but also their hopes and dreams for a better one. One area where there is certainly major agreement between the Government's Welfare Working Group and our own is around the question of the need for urgent reform of welfare in Aotearoa. The big question is about what exactly the nature of that change should be. This chapter cannot pretend to canvass all possible options for change, but will attempt to provide a summary of some key ideas about alternatives and solutions to the perceived failings of the current system.

Values and assumptions

- 12.2 Overwhelmingly, the message coming through to us is that welfare cannot and must not be seen simply through the eyes of the successive generations of politicians and public servants who legislate and regulate the system. While of course those in political power are going to dictate the nature and substance of welfare law and administration, there is a strong desire for citizen voices to be heard in any debate on reform. Above all, there is a plea that the perspectives of those who are most affected are taken into account – people who at some time in their lives are dependent on welfare; and that the inherently voiceless in this debate – the children of beneficiaries – should be given primacy in any consideration of policy change.
- 11.3 Underpinning values are important. There is a strong belief by many that New Zealand's welfare system should return to the original premise on which it was founded in 1938, and which subsequent reports such as the 1972 and 1988 Royal Commissions on Social Security/Social Policy confirmed: that social security is a community responsibility, providing a safety net for those who cannot support themselves because they are out of work, sick, injured, disabled, aged, and (in more recent times) a sole parent. Underpinning this is the principle that social security 'is a community responsibility, and it is a legitimate function of the state to redistribute income so as to ensure everyone can live with dignity (Beneficiary Advisory Service, 2010). In the language of theology, the Catholic group Caritas speaks of its mission as 'sharing God's love in a complete way, including working for a just and fair society in which all people know they are loved and valued (Caritas (2010)).' The principles behind the alternatives and solutions presented in this chapter are unashamedly grounded in these values and precepts.

- 12.4 Chapter 11 has shown that there is no immediate crisis in New Zealand's social welfare system, so that there is time to implement policies that will improve outcomes for young people in education (including at primary school) and will improve the availability of quality employment opportunities in New Zealand's regional labour markets. Investment in education that creates real opportunities for all children is a critical part of a comprehensive approach to welfare reform. The recommendations in this chapter assume that these medium term policies are in place, and focus on improvements that can be made to improve the effectiveness of social welfare as one of the key mechanisms for achieving social security for the country's citizens.

Income support

- 12.5 **Legislation – start again.** The Social Security Act 1964 is one of the most amended pieces of legislation on the Government's books. It is a mosaic of complex and complicated amendments, creating tremendous difficulties for those who have to work with the Act, particularly Work and Income staff, beneficiaries, and those who advocate for claimants. These problems are compounded when the Act is placed alongside the plethora of ever changing, detailed regulations which also govern the operations of Work and Income. It is high time this Act was scrapped, and a new, much simplified law written.
- 12.6 **Benefit adequacy – income support should be enough for people to meet their basic needs and to participate fully in community life.**
- As a first step, restore benefits to their pre-1991 cuts equivalent levels.
 - Lift income support to an amount which covers a basket of basic needs, as with the Swedish system. Sweden's national standard includes (among other things) covering expenses for food, clothes, shoes, play, leisure, health, insurance, a daily newspaper, telephone, and reasonable expenses for housing and electricity (Socialstyrelsen, 2006).
 - Rather than calculating benefit levels through indexation to the Consumer Price Index, benefit amounts should be set so that they do not fall below a fixed percentage of the average wage, the method by which the level of New Zealand's national superannuation is calculated each year.
- 12.7 Pending the introduction of income support which pays people enough to live on with dignity, adequate **discretion** should be restored to the system, for example through:
- Restoration of the Special Benefit or an equivalent, aimed at realistically helping to meet peoples' real needs where there is a large gap between first and second tier benefit assistance and essential outgoings necessary for survival.

- While Temporary Additional Support (TAS) still exists, remove the Child Disability Allowance from the calculation of income for the purposes of TAS eligibility.
- Allowing a short period of overlap in entitlement for all people making the transition from benefit to permanent paid work or to a new 'relationship in the nature of marriage' after a long period in the benefit system, in recognition of the greater costs and the personal and family stresses often incurred during this period.

12.8 **Reduce inequities, aim for maximum universality – within the framework of the current system**

- Incorporate the In Work Tax Credit with the Family Tax Credit, treating all children the same within the Working for Families scheme. This would cost \$450 million per year on the current figures, and would have a dramatic and immediate impact in reducing child poverty.
- Treat everyone 18 and over as adults for benefit purposes, rather than continuing the false distinction that somehow it does not cost as much for 18-24 year olds to live as it does those over 25.
- Ensure all students are eligible for Unemployment Benefit if they are jobless over the summer break, rather than applying parental income tests.
- Reintroduce a benefit for unemployed, sick and injured young people aged 16 and 17, in cases where they are unable to receive parental support.
- Aim to bring the complex, differential abatement regime into one simpler, fairer system, aimed at reducing the poverty trap beneficiaries encounter with high effective marginal tax rates when they are simultaneously in paid work and on a benefit.

12.9 **Simplify the provision of welfare.** In moving away from the complexities of the current system, options could include (among others):

- Moving to a two-tier system with one base rate – that is, with no differential between core working age benefit rates, with a second tier of allowances to take account of dependents and additional needs like those relating to sickness, injury and long term impairment. However, until and unless the system is adequate to meet real need, a third tier of discretionary assistance will be necessary.
- Doing everything possible to work towards a system which treats all adults as individuals for income support purposes. Ultimately abolish the concept that benefit payments are determined by whether or not an applicant is in a 'relationship in the nature of marriage'. Ideally peoples' sex lives and relationships should not be the subject of intimate inquiry by the State, leaving people much greater ability to try to raise families together in often difficult and complex circumstances. If all primary

benefits were moved on to an individual basis, 'this would begin to reduce the anomalies between NZ Superannuation, ACC and benefits' (St John and Rankin, 2009).

Work and welfare

12.10 Unemployment and welfare are interconnected – jobs matter. Reforming welfare cannot be seen in isolation from what is going on with the employment situation in the economy at any given moment. For example, it is unrealistic to push, as Government is currently doing, for more and more sole parents, sickness and invalids beneficiaries to be harassed into the paid workforce at a time when around 150,000 people are officially unemployed, and many more are jobless, or underemployed. It is also axiomatic that the numbers of people who rely on benefits will increase at times of high unemployment, and decrease as more people find work when conditions improve. Solutions in this area beg much larger economic and fiscal issues, but some policy options include:

- Recognising that a comparatively high minimum wage and a unionised workforce capable of bargaining for good wages and conditions are essential if our goal is a just economy in which all have the opportunity for a decent, basic standard of living.
- Maintaining an underpinning policy commitment at Government level to full employment, including making this one of the factors the Reserve Bank must take into consideration when setting the official cash rate.
- Supporting job maintenance and creation in the public, private and community sectors, and creating an enabling environment which would allow the job rich potential of the not for profit sector to be maximized. Reestablishing a community economic development function within Government, lost when the Community Employment Group was disestablished in the 2000s.
- Encouraging Government to support job creation programmes which are full time or close to full time work, pay at least the minimum wage, and allow workers to join a union if they choose. No forced work for dole schemes.
- Ensuring that unemployed workers and beneficiaries have maximum possible access to educational and training opportunities, from apprenticeship, literacy and trade skills through to degree level tertiary education. Adequate funding for adult and community education, and access to the Training Incentive Allowance (TIA) at degree level should be restored.

12.11 Work testing. Among the most contentious changes to welfare being implemented by the current Government is the strengthening of the work testing regime for some categories of people on the DPB, Invalid's and Sickness Benefits. While most people accept that work testing (that is,

requiring people to take up paid employment in any job Work and Income deems suitable, or lose their benefit) should apply to anyone in receipt of the unemployment benefit, there is by no means a consensus that the same kind of conditions should be applied to sole parents once their youngest child turns 6, or to people who are on benefits due to sickness, injury or disability. The overwhelming sense we have from the public comment and submissions we have received is that work testing should not be applied to those on benefits other than the unemployment benefit. Instead, there is a strong feeling that people on all benefits should be eligible for help from Work and Income for job search, training and career support, but that this assistance should not be part of a compliance regime, except for those who are unemployed.

- 12.12 **Supporting people into paid work.** There is a lot more that Work and Income could do to practically help beneficiaries into employment. Rather than focusing on punitive work testing regimes, Work and Income should:
- Provide competent, appropriate careers advice and job seeker support for beneficiaries seeking paid employment, no matter what benefit they are on, including specialised assistance for particular categories of jobseeker – including people with disabilities, sole parents, and migrants and refugees.
 - Offer suitable support for employers who are willing to take on people with particular needs, for example as a result of long term illness, injury or impairment.
 - Sole parents entering or reentering the paid workforce may also require particular support, including through access to affordable childcare and out of school care at the times they are at work, and flexible work arrangements.
 - Provide real encouragement and support for young unemployed people seeking work, training or education, including priority assistance for Māori and Pasifika young people who are disproportionately affected.
 - Cease contracting out employment services to private companies who offer little or no real help to jobseekers; while private contracting remains, ensure genuine accountability and quality control.
 - No compulsory quasi military training for the young unemployed through the LSV (Limited Service Volunteer) scheme – this programme should be for genuine volunteers only.
- 12.13 **Valuing unpaid work.** The move towards work testing sole parents and sickness beneficiaries has exacerbated the sense among many New Zealanders that the Government values only paid employment, and fails to recognise the critical importance of the many different forms of unpaid and voluntary work in homes and in the community. The work of raising children or caring for a family member with illness or impairment is as vital to society's wellbeing as earning \$12.75 an hour working behind a shop

counter. Volunteers play an essential role in community organisations across the country. For example, the 'Non-Profit Institutions Satellite Account' report released in August 2007, showed that 90 per cent of not for profit groups in New Zealand are run completely by unpaid volunteers in social services, culture, sport, recreation, cultural and religious organizations (Scoop, 2007). We suggest that Work and Income, and all Government departments, should do more to recognise in policy and practice the true value of work done by caregivers and volunteers. Such recognition could include:

- Retaining and increasing the level of the Participation Allowance, a reimbursement paid by Work and Income to some community organisations when they take on beneficiary volunteers. The rate is currently set at \$21pw for part or full time voluntary work which is of benefit to the community or the environment.

Culture of Work and Income

12.14 In all the public meetings held by the Welfare Justice alternative working group, and in a number of submissions, one thing that came across very strongly was how unhappy many people were with their experiences in dealing with Work and Income (Welfare Justice, 2010). There is a huge desire for constructive change, starting from a premise that those who come to Work and Income for assistance deserve to be treated with empathy and respect, rather than by a culture and practice that appears to range from the excellent to the indifferent to the downright intimidatory. Suggestions for improvement in a number of key areas follow:

- Inculcating a culture of respect for those who come to Work and Income for advice and assistance, including training staff to have good listening and communication skills, and to recognise that there is vast diversity among people coming for help – differences should be honoured, not denied or treated with visible contempt.
- Ensuring staff are trained and expected to offer all claimants their full and correct entitlements as a matter of course.
- Operating a personal case management system, so that beneficiaries are, as much as possible, seen by the same case manager, who can get to know and understand their personal situation, and therefore be in a position to offer maximum assistance, without the beneficiary having to repeatedly tell their story to different staff members.
- Work towards far greater quality and consistency between and within staff members and offices, so that beneficiaries don't find themselves 'shopping around' to locate staff who are willing and able to help with their particular situation.
- All claimants are entitled to privacy when talking with staff, and should be granted this by right rather than exception.

- End inappropriate use of doctors and patient information; doctors should be advocates for the best care and treatment of their patient, not working as agents of the Ministry of Social Development.
- A completely new review and appeal system should be established to replace the existing Benefit Review Committees (BRCs), based on principles of transparency, accountability, fairness and natural justice, and operating in a timely and efficient way. Consideration should be given to the formation and implementation of a Code of Beneficiaries Rights.
- Work and Income staff deserve better support and training, as well as improved wages and conditions. Staff selection processes should be more rigorous, and include a preference to take on people who demonstrate skills in empathy and listening, and the ability to work well with claimants who come from a very diverse range of backgrounds.
- Beneficiary advocacy groups need greater support for the key role they play in assisting individuals to deal with Work & Income, including through stable and sufficient funding, and support for training and networking. Improved resourcing is also needed to help establish groups in the many parts of the country where no specialised beneficiary advocacy service is currently available.

Universal Basic Income

- 12.15 Over the last two decades, and during the submission process to the Welfare Justice alternative working group, there have been a number of proposals and considerable support for exploring and progressing ways in which a Universal Basic Income (UBI) or similar system could be applied in the New Zealand context. Other names for UBI include 'citizen's income', 'guaranteed minimum income', 'basic wage', universal income, and 'Kiwi dividend'. UBI would replace all benefits and superannuation. It would enhance individual freedom, help end poverty and unemployment traps, and assist in creating a less divided society. The whole 'blame and shame' basis of the current benefit system and its complicated, costly administration would come to an end.
- 12.16 At its core, the UBI is based on the concept of a universal tax credit/tax rebate available to every adult legally resident in New Zealand, with a single base rate plus an additional amount payable in respect of children and for the elderly. For those with exceptionally high extra costs, for example people with impairments, a supplementary benefit would be implemented. The UBI would be paid for by readjusting the tax system with a higher, more progressive tax rate than that which we have at present.

12.17 There are many different variations on UBI put forward locally and internationally. One version that won wide respect in New Zealand at the time was put forward by Keith Rankin in 1998 (Rankin, 1998). In 2010 economist Gareth Morgan is putting forward his version of a universal income (Morgan, 2010), while Rankin is now talking about a 'refundable tax credit' option, 'a fixed amount payable to all adult tax-residents regardless of how much income tax they are liable for' (St John and Rankin, 2009). While the UBI, and variations on it, are considered radical and untested, there is a strong case for substantial work to be done on assessing its practical application in this country.

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CHAPTER 13

CONCLUDING REFLECTIONS

- 13.1 As reflected in the previous chapters, our work for this report raised a range of significant issues and questions, issues and questions which are fundamental to any “wide ranging and fundamental review” (Welfare Working Group, 2010: 1). Here we highlight and reinforce some of those issues, identifying key policy options; fuller discussion is contained in the preceding chapters.
- 13.2 New Zealand has a proud history of social security built on full employment, education to realise potential, access to quality healthcare, affordable and healthy housing and income adequacy.
- 13.3 New Zealanders hold strong values that all citizens should be able to participate in the community and live a life of dignity, through decent jobs in paid employment or through receiving adequate social welfare support when this is not available.
- 13.4 The Treaty of Waitangi forms an integral part of a reformed social security system. Māori are significantly over-represented among those living in poverty and this represents a failure to meet Treaty obligations. In a related vein, Pasifika people and refugees are also over-represented among those living below the poverty line.
- 13.5 Analysis produced by the Welfare Working Group shows that there is no funding crisis in New Zealand’s welfare state and we have 30 years to address any underlying problems. Sustainability is not the most critical issue facing social security.
- 13.6 The current emphasis on paid work is too narrow and treats voluntary work and the important work of caring for children and for those who have a range of health and social needs as inferior, secondary and unimportant. A wider view of contribution to well-being is needed than the current preoccupation with paid work. Welfare needs to be informed by ‘an unrelenting focus on well-being’.
- 13.7 The first key policy option for the Government to take is to improve the health, education and income adequacy of families with young children as an investment in the country’s future. This must include the children of families receiving income support through social welfare. Investment in children is fundamental to both their development and to New Zealand’s social and economic future.

- 13.8 The second key policy option for the Government to take is to promote decent jobs that enable citizens to obtain social security through paid employment at adequate wages. This must include avoiding policies that lead to greater casualisation in the labour market (such as the 90-day rule).
- 13.9 The third key policy option for the Government to take is to work with employer groups to reduce barriers for paid employment faced by people with mental or physical impairments. Paid employment for those with impairments requires policy and service initiatives which are appropriate to their circumstances.
- 13.10 The fourth key policy option for the Government to take is to eliminate the punitive culture that is emerging in Work and Income offices up and down the country. Work and Income staff are providing an essential service to New Zealand residents, and they must be focused on treating people with utmost respect and dignity and ensuring applicants receive their full entitlements accurately. Decisions need to be consistent and transparent and currently complex systems need to be simplified. Too much of the language of the current and recent debates has been moralistic and abusive towards beneficiaries and this has prevented the development of effective policies and the pursuit of a productive and constructive debate.
- 13.11 The fifth key policy option is that benefit levels must be adequate to prevent poverty and to ensure that no children are left living in poverty because their parents have insufficient income. This is crucial to both their well-being and New Zealand's future.
- 13.12 There is no case to be made for moving to an insurance framework for providing social security. Such systems do not provide comprehensive and adequate coverage for all citizens.

APPENDIX I

WELFARE WORKING GROUP TERMS OF REFERENCE

In April 2010 the government announced the appointment of the Welfare Working Group (WWG) with the following terms of reference:

In scope

The Welfare Working Group will cover the breadth of the welfare system for working age people and their families, including:

- main benefits
- second and third tier support
- non-financial support provided through the benefit system
- in-work support (excluding financial support provided through the tax system)
- how the benefit system works alongside Health and ACC.

The group will need to consider the fit of the current system with a flexible labour market and the modern roles and responsibilities within families.

Particular topic areas for the Group to consider include:

- 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.

Out of scope

The following items are out of scope:

New Zealand Superannuation – the issues facing this group are different to those for beneficiaries and for the welfare system more generally.

There is considerable potential for overlap with work and services administered through ACC and the Ministry of Health. To be effective the Welfare Working Group will need to have a mandate to consider the support the government provides for these people, where they interface with the benefit system. The issues being considered as part of the Stocktake of ACC Accounts, would be explicitly out of scope.

Interface issues with ACC and with health and disability services provided through the Ministry of Health will need to be carefully navigated.

The tax-benefit interface, and Working for Families specifically will also not be in scope.

The issues in this area raised by the Tax Working Group will be considered separately to the Welfare Working Group process.

Adequacy of income from welfare – although the gap between welfare and work is relevant to activation discussions.

APPENDIX II

COMMISSIONING DOCUMENT

WELFARE JUSTICE: *the Alternative Welfare Working Group*

Commissioning Group:

- Caritas Aotearoa New Zealand
- Beneficiary Advocacy Federation of New Zealand
- Social Justice Commission of the Anglican Church

Aims and Objectives:

To contribute to public debate and understanding of proposed benefit changes through:

- Writing an alternative report that reflect the response of the community sector setting out recommendations for change to be released at about the same time as the Government WWG report in December 2010
- Holding public meetings and inviting comment and submissions from the community, particularly focusing on those who would be most affected by any changes: beneficiaries, disabled people, sole parents, and community organisations working with and supporting beneficiaries
- Bringing together a coalition of groups who wish to work together on benefit issues

Purpose:

Widespread concern has been expressed in the public domain about the agenda driving the establishment of the Welfare Working Group by Minister of Social Development Paula Bennett. Although it has been presented publicly as being a neutral investigating body, we are concerned the membership, advisers and terms of reference, as well as statements already made by the Minister and members of the WWG signal a pre-determined agenda.

Many of us in the community sector experienced first-hand the suffering which followed the 1991 benefit cuts, which caused significant hardship for beneficiaries and communities throughout New Zealand, and saw a dramatic increase in child poverty. We believe the extent of restructuring considered by the WWG potentially could cause a similar level of disruption and hardship. We believe that as citizens and members of society, we have a responsibility for the common good of all and where social harm can be prevented through policy settings this ought to be strived for.

The current welfare structures and processes often leave thousands of New Zealanders feeling disempowered and humiliated in their interactions with government agencies. Current policies do not prevent poverty and we are

concerned that changes may further entrench some people in poverty. We believe that there are alternatives available, and wish to add our contribution to the debate.

We are concerned that the contributions of the community sector at the WWG forum and through submissions will not make the final report to government. We do not want to solely depend on our good faith participation in a consultation exercise, only to find, as has so often happened before, that our participation ends up being justification for conclusions in the final report which have no endorsement from most of the community sector.

We are therefore commissioning an Alternative Welfare Working Group to produce an Alternative Report, which can provide a focal point for the response of the community sector. We would be delighted if we found in December that our input in both reports contributed to similar recommendations. However, if this were not the case, we expect our alternative report will provide a rallying point for community sector organisation and opposition, as well as contributing positively to public debate.

Welfare Justice: Alternative Welfare Working Group Members:

- Mike O'Brien (Chair), Associate professor of social work and social policy, Massey University;
- Sue Bradford, Community worker and activist, PhD student in public policy;
- Paul Dalziel, Professor of economics, AERU, Lincoln University;
- Māmari Stephens, Lecturer in welfare law, Victoria University of Wellington;
- Wendi Wicks, National policy researcher, Disabled Persons Assembly;
- Bishop Muru Walters, Pīhopa o Te Upoko o Te Ika and Chair of the Social Justice Commission of the Anglican Church

Formal advisors:

- Susan St John, University of Auckland
- Cindy Kiro, Massey University
- Deborah Morris-Travers, Every Child Counts

Terms of Reference:

The Alternative Welfare Working Group is to work to the same terms of reference as the Government appointed welfare working group, but with the clear proviso that where the Alternative Welfare Working Group feels that an issue identified as "out of scope" belongs in the debate, it should be encouraged to expand the scope of its activities.



Welfare Justice
The Alternative Welfare Working Group

<http://alternativewelfareworkinggroup.org.nz>