

# Benefit Sanctions: Children – not seen, not heard

Child Poverty Action Group Policy Monitoring Series Donna Wynd



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Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

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## Contents

Introduction	4
Data	5
Discussion: what does the sanctions regime mean for children?	6
How many children are affected by sanctions?	
Reasons for sanctions	.7
How many parents move into work?	.7
Churning between welfare and work	.8
Conclusion	8
More and better data	.9
References	10
Appendix 1: Graduated sanctions table	12

## Introduction

In 2010 the National government began a process of reforming social assistance. Announcing that "the dream is over" (Kay, 2010), Social Development Minister Paula Bennett promised the reforms would have a "relentless focus on work". Following many of the recommendations set out in the final report of the Welfare Working Group (Welfare Working Group, 2011), the reforms were closely modelled on US reforms that had sought to push recipients off welfare and into the labour market.<sup>1</sup> A key component of the New Zealand reforms is the use of financial sanctions to enforce social obligations.

Arguing that the reforms were "good for children" (Hansard, 2013), the government's position is that "the fastest way to get children and grown-up New Zealanders out of poverty is through work" (Radio New Zealand, 2013). There has been no corresponding commitment to ensuring parents are able to move into meaningful, well-paid, or even permanent, work. On the contrary, the legislation specifies that a beneficiary must take up a job offer even if the job is temporary or seasonal (section 102A Social Security Act 1964). The reforms make clear getting beneficiaries off welfare into paid work is the primary consideration. The aim of lifting children out of poverty is largely for marketing and political purposes and receives a much lower priority in the discussion of the reforms' aims.

A key assumption of the reforms is that beneficiaries are 'dependent' and need to be motivated by the threat of financial sanctions to comply with jobseeking and other social obligations (Office of the Minister for Social Development, 2010). Other reforms such as a harsher work test regime for beneficiaries who have a child when they are receiving a benefit also point to a focus on beneficiaries' behaviour. There is little evidence that sanctions change long-term behaviour, and some that recipients "who leave benefits early due to the threat of sanctions often experience poorer earnings and job stability" (Griggs & Evans, 2010, p. 5). Sanctions can result in parents losing half their benefits and all their supplementary benefits (see Appendix 1). It is difficult see how this new regime of arbitrary social obligations, and loss of income for failure to comply with them, is good for children.

In 2013 CPAG published the little data available on the imposition of sanctions from the date of their first implementation in 2010 (Wynd, 2013). The data presented a confusing and disjointed picture of the sanctions imposed on beneficiary families with children, and the report called on the Ministry of Social Development to regularly publish the data in a clear and transparent manner.

The CPAG report also observed that there appears to be a disjunction between the Minister of Social Development's stated concern for vulnerable children and her support for cutting incomes to benefitreliant families with children, and, further, expressed concern that there appeared to be no monitoring of families who had their benefits cut. Moreover, there is no follow up of beneficiaries who have come off a benefit and gone into paid work to ascertain if they are better off as a result of this move. Instead, the claim that 'work is the way out of poverty' is deemed to be self-evident (Hansard, 2014). This is despite the Ministry of Social Development's own data showing that 37% of children in poverty are in households with an adult in paid work (Perry, 2014) While there is no certainty that paid work lifts children out of poverty, there can be little doubt that cutting already meagre household incomes contributes to their hardship.

<sup>&</sup>lt;sup>1</sup> See Personal Responsibility and Work Opportunity Reconciliation Act of 1996. <u>http://www.gpo.gov/fdsys/pkg/PLAW-104publ193/pdf/PLAW-104publ193.pdf</u>

This monitoring report presents the very little new information available on sanctions, then considers what information would be required to assess whether benefit reforms and sanctions are helping or harming children.

## Data

In CPAG's 2013 report on sanctions, we noted that the data provided by the Ministry of Social Development (MSD) was fragmented and difficult to understand and interpret. Data received by CPAG which is for the 9 months to the end of December 2013 continues this pattern of minimal information being provided. However, included in the information received from MSD was a table on how the sanctions regime applies across the different benefit categories, including their impact on supplementary benefits. This table is attached in Appendix 1 at the end of this report.

Table 1 below shows the number of sanctions applied in the six months to the end of September 2013, then the three months to December 2013. This is split into three periods:

- the period from 1 April to 15th July 2013 when the Social Security (Benefit Categories and Work Focus) Amendment Act 2013 came into force;
- the period from then to 30 September that year; and
- the period from 1 October to the end of December 2013.

The figures show a fall in the number of clients with children having their benefits suspended or cancelled in the second and third periods. This does not reflect a fall in the numbers receiving graduated sanctions. The smaller figures for the period 15 July – 30 September cover a shorter period. The fall in the number of clients receiving graduated sanctions in the second and third periods is puzzling because the legislation that came into effect in July 2013 introduced a raft of new social obligations that carried sanctions as a penalty for non-compliance (Appendix 1 sets out the sanctions regime).

YEAR	Sanction Grade 1		Sanction Grade	2	Sanction Grade 3				
	Sanction type	Sanc	tion type	% suspended/	Sand	% suspended/			
	Graduated	Graduated	Susp/Cancelled	cancelled	Graduated	Susp/Cancelled	cancelled		
April 2013-15 July			100 LINE 3						
2013	3,226	841	165	19.6	342	90	26.3		
15 July-30									
September 2013	2,469	760	8	1.1	271	1	0.4		
1 October-31									
December 2013	3,012	1,159	7	0.6	388	2	0.5		

Table 1: Sanctions applied to clients with children, April 2013 – December 2013

Notes:

The table shows working age clients (18 to 64 years).

Grade 1 sanctions show clients who have an obligation failure for the first time in the last 12 months and have not recomplied within five working days of the obligation failure.

Grade 2 sanctions show clients who have an obligation failure for the second time in the last 12 months and have not recomplied within five working days of the obligation failure.

Grade 3 sanctions show clients who have an obligation failure for the third time in the last 12 months and have not recomplied within five working days of the obligation failure.

The above table is puzzling for one further reason. Within a day or two of CPAG being supplied with the information in Table 1, the Minister of Social Development, Paula Bennett, announced that 21,000 beneficiaries had had their benefits cut for "travelling overseas", and this number included "more than 4,800 sole parents" (Bennett, 2014). That is, between 15 July 2013 when the new obligations came into force, and early April 2014 when the Minister made her announcement, 4,800 sole parents had their benefit cut. Yet the table above shows that in the full 9 months up to the end of December 2013, only 273 beneficiaries with children had their benefits suspended or cancelled. This must mean that in the 4 months from December 31 2013 to April 2014, something in the order of 4,500 beneficiaries with parents had their benefits suspended or cancelled for "travelling overseas". Clearly, there must have either been an upsurge of sole parents travelling overseas in the first quarter of 2014, or one of the sets of figures is incorrect. At the time of writing CPAG is awaiting a breakdown of the number of sole parents who have had their benefits 'cut' for 'travelling overseas' but the release of this information has been put back to mid-June 2014.

## Discussion: what does the sanctions regime mean for children?

The discrepancy in numbers between the 4,800 sole parents who allegedly had their benefits cut for travelling overseas, and the data supplied to CPAG points to a much deeper issue with the sanctions regime, and that is its lack of clarity and transparency. Data on the number of sanctions applied, the number of parents who have had their benefits cut, and the number of children involved is not published by the Ministry of Social Development. The number of beneficiaries who leave welfare to move into work or for other reasons is published annually in the Ministry's *Statistical Report*<sup>2</sup>, but the Minister's figures on how many people move from benefits into work cannot be verified because this data is not published regularly, as are the number of benefit recipients. We consider some of these issues here.

#### How many children are affected by sanctions?

The critical question is how many children are affected by sanctions. While some of this information has been provided in the past, CPAG's most recent request for the number of children affected by benefit cuts and suspensions was declined on the basis that the Ministry does not hold that information. Specifically, the Ministry stated "this information does not exist. Once a client exits the benefit system, either as a result of a suspension or benefit cancellation, the Ministry's data system is unable, to monitor or report on this level of detail".<sup>3</sup> Yet this information has been previously supplied under a parliamentary question, with the number of children affected by sanctions recorded, broken down by the duration of the sanction (<4 weeks; >4 weeks); and the age of the youngest child. The Ministry records how many children clients have in their custody (aggregated data is available in the benefit fact sheets<sup>4</sup>), so the number of children affected by sanctions clearly does exist, and can be

<sup>&</sup>lt;sup>2</sup> http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/statistical-report/index.html.

<sup>&</sup>lt;sup>3</sup> Ministry of Social Development. Correspondence held with Child Poverty Action Group.

<sup>&</sup>lt;sup>4</sup> http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html.

retrieved from the system. In addition, CPAG did not ask about what happened when people leave a benefit, but about the number of children being cared for by sanctioned parents.

Information on the durations for which sanctions are applied also needs to be published. This information, too, is available. Weeks with half an already low benefit income (and no supplementary benefit) inevitably put a considerable financial strain on households with significant consequences for children.

#### Reasons for sanctions

The legislation outlines a number of reasons sanctions can be imposed including not meeting worktest and job-seeking obligations, and not complying with social obligations. Given this, it is also necessary to publish the reasons people get sanctioned. This could also serve to highlight underlying issues, for example availability of early childhood facilities. Publishing this information would also make it possible to ascertain how many beneficiaries had left a benefit 'for work', and how many had failed to comply with their work tests or other obligations.

Publishing this data might also provide greater transparency around the administration of clients. Administration of client files appears inconsistent at best, and publishing sanctions data would make evident inconsistent rates of sanctions applied within a region or applied to a specific set of recipients.

#### How many parents move into work?

There is no regular record of how many parents leave a benefit to move into work (apart from the annual data published in the *Statistical Report*) or have their benefits cut for non-compliance with their social obligations. The number of people receiving Sole Parent Support (formerly the Domestic Purposes Benefit) has fallen dramatically, from 104,446 in June 2013, to 75,884 in March 2014. This is, in part, because parents with children aged 14 and over have been re-assigned to Jobseeker Support (formerly the Unemployment and related benefits). Numbers had already been falling prior to that. This is broadly consistent with the results of welfare reform in the US, where there was an "unambiguous" fall in the number of welfare recipients (Bodkin, 2006, p. 15) after the passage of the 1996 reforms. However, as researchers have observed, there are some troubling aspects of this result including that: "less than half (48 percent) of potentially eligible poor families were receiving cash assistance...Nor were efforts to combat poverty by providing welfare-to-work services any more impressive than they had been [before the 1996 Act]" (Bodkin, 2006, p. 16). In the 10 years after the passage of the 1996 Act, there was a significant increase in the number of single mothers neither working nor getting welfare – up to 20-25% by 2007. There is very little information about what happened to these women, including how they are obtaining an income (Blank, 2007).

More importantly, we do not know how many parents:

- have moved into work;
- whether they moved into short-term/subsidised jobs or full-time permanent work;
- whether the jobs were essentially zero-hours contracts (increasingly common in New Zealand (Council of Trade Unions, 2013));
- whether parents were forced back onto a benefit at the end of the temporary/seasonal job

(and how long they waited to get a benefit re-instated); and, most importantly,

• whether they and their children were better off as a result of working.

#### Churning between welfare and work

Applying for a benefit is difficult, time-consuming and stressful.<sup>5</sup> There are also stand-down periods: "you receive your first payment two or three weeks after you've applied. This can be longer if you received holiday or redundancy pay, or you left your last job without good reason".<sup>6</sup> For parents dependent on short-term employment, (or even irregularly paid full-time work), the inevitable periods with no income when commencing a new job or needing to go back onto a benefit contribute to financial stress in the household. They also leave households vulnerable to relying on fringe lenders to cover shortfalls in income. Work may well be a way out of poverty, but we have no evidence of this. Indeed, churning between low-paid jobs and a benefit is likely to deepen poverty (Shildrick, MacDonald, Webster, & Garthwaite, 2012).

Many of the jobs young people in particular move into are subsidised and short-term. There is some evidence that subsidised jobs lead to "significant employment and earning benefits for assisted jobseekers over several years" (Crichton & Maré, 2012), but as this research was done during an economic expansion, the authors were unable to say for certain whether the observed benefits would have occurred even without the employment subsidy. In 2014 the labour market remains tight, and while people are usually grateful for work, subsidised or not, there needs to be better analysis of whether subsidised jobs assist people to move into permanent jobs in the longer term.

Churning between work and a benefit needs to be monitored and the data made public. If families are simply going into temporary work, onto a benefit and back again, this puts a very different complexion on claims that beneficiaries are taking up paid work and, implicitly, that they are better off as a result. The Ministry's system is able to record multiple applications from beneficiaries, and this should provide a clue as to the nature of the jobs that beneficiaries obtain. The system should also be able to monitor how many children are affected by churning, as the number of children being supported is recorded.

## Conclusion

The lack of information available about the number of sanctions applied, to whom they have been applied, what for, their duration, and the number of children affected continues to be a significant concern, and major flaw in the National government's welfare reforms. Such information that is available comes from either Official Information Act requests or Ministerial media releases, and the two data sets sometimes appear to be inconsistent. Without sanctions data being regularly updated and made available to the public there is no way to objectively ascertain how many beneficiaries with children are leaving benefits to move into paid work, or how many are failing to meet their obligations under the legislation. Nor do we have any way of monitoring whether parents are simply churning between temporary/ seasonal jobs and being back on a benefit, with all the stress and financial uncertainty that entails.

<sup>&</sup>lt;sup>5</sup> A good frontline account of this can be found here: <u>http://writehanded.wordpress.com/2014/03/13/fuck-winz-yes-i-said-it/</u>.

<sup>&</sup>lt;sup>6</sup> http://www.workandincome.govt.nz/individuals/a-z-benefits/sole-parent-support.html.

But most importantly, the lack of information, and the Ministry's inability to follow up on clients after they leave a benefit, means we have no way of knowing whether the welfare reforms and sanctions regimes really are "good for children". After the 1996 welfare reforms in the US a great deal of research was done to ascertain the outcomes of those reforms for sole parents and children. There is no equivalent research programme in New Zealand, despite the very major changes to income support that have been implemented since 2010. In fact, we do not have even the most basic data to try to assess the impact of the reforms.

As unemployment rates for women remain stubbornly high,<sup>7</sup> there needs to be far greater attention paid to whether or not sole parents in particular really are better off as a result of being in paid work, and the nature of that work. In the absence of better information, and glaring inconsistencies in the data available, we have good reason to suspect that the sanctions regime is almost certainly harming the most vulnerable children. In 2013 (Wynd, 2013) CPAG suggested the sanctions regime had the potential to create an invisible underclass of children. We need more and better information now to be assured that this is not the case.

#### More and better data

The Welfare Working Group recommended that there be 'transparent reporting of the number of sanctions imposed" (Welfare Working Group, 2011, p. 75) on beneficiaries. This recommendation has not been implemented. CPAG considers it is not only the quantum of sanctions imposed that needs to be reported but the following as well:

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

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

- how many beneficiaries with children have left a benefit to go into work;
- how many beneficiaries with children have moved back onto a benefit within 6 and 12 months.

This would enable the public to have a clear understanding of the extent of churn in the welfare system and the effect of sanctions on children.

<sup>&</sup>lt;sup>7</sup> <u>http://stats.govt.nz/browse\_for\_stats/income-and-</u> work/employment\_and\_unemployment/HouseholdLabourForceSurvey\_HOTPMar14qtr.aspx.

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## Appendix 1: Graduated sanctions table

#### GRADUATED SANCTIONS TABLE

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

	Single, no dependent Single, dependent children children		Couple, no dependent children, one fails their obligations		Couple, no dependent children, both fail their obligations			Couple, dependent children, one fails their obligations			Couple, dependent children, both fail their obligations					
	1	<b>i</b>	, t	+ +	<b>†</b> †			<b>†</b> †			1 1 1 1			1 1 ++		
	Main bft	Supp bft	Main bft	Supp	Person 1 main bft	Person 2 main bft	Supp	Person 1 main bft	Person 2 main bft	Supp bft	Person 1 main bft	Person 2 main bft	Supp	Person 1 main bft	Person 2 main bft	Supp
Grade 1 sanction Client has obligation failure for the first time in the last 12 months and has not	50% reduction	Not affected	50% reduction	Not	50% reduction of person 1's portion of benefit	No change (receives 50% of benefit)	Not	50% reduction of person 1's portion of benefit	50% reduction of person 2's portion of benefit	Not affected	50% reduction of person 1's portion of benefit	No change (receives 50% of benefit)	Not	50% reduction of person 1's portion of benefit	50% reduction of person 2's portion of benefit	Not
recomplied within five working days of the obligation failure.					Couple rec (50% + 25% benefit	6) of main		Couple receive 50% (25% + 25%) of main benefit overall			Couple receive 75% (50% + 25%) of main benefit overall			Couple receive 50% (25% + 25%) of main benefit overall		
Grade 2 sanction Client has obligation- failure for the second time in the last 12 months and	100% suspension	100% suspension	50% reduction	Not	Person 1's portion of benefit suspended	No change (receives 50% of benefit)	Person 2 receives	Person 1's portion of benefit suspended	Person 2's portion of benefit suspended	100% suspension	Person 1's portion of benefit suspended	No change (receives 50% of benefit)	Person 2 receives	Person w dependent continues to re person 2's reduced	children eceive 50%, portion	Couple receive 50%
has not recomplied within five working days of the obligation failure.	Superior	ouppend of	reaction	uncered	Couple rec (0% +50% benefit	) of main	50% supp bft	100% suspension			Couple receive 50% (0 +50%) of main benefit overall		50% supp bft	Couple receive 50% main benefit overall		supp bft
<u>Grade 3</u> <u>sanction</u> Client has obligation- failure for the third time in the last 12 months and has not	100% cancellation	100% cancellation	50% cancellation	Not affected	Person 1's portion of benefit cancelled	portion of change benefit (receives cancelled 50% of benefit) F		Person 1's portion of benefit cancelled	Person 2's portion of benefit Cancelled	100% cancellation	Person 1's portion of benefit cancelled	No change (receives 50% of benefit)	Person 2 receives 50%	Person w dependent continues to re person 2's reduced	children eceive 50%, portion	Couple receive 50% supp
recomplied within five working days of the obligation failure.					Couple rec (0% +50% benefit (	) of main	. 50% supp bft	100% cancellation					supp bft	t Couple receive 50% main benefit overall		bft

Adapted from Ministry of Social Development 2014

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