



Te Ope Whakāora

SOCIAL POLICY AND PARLIAMENTARY UNIT

Working for the eradication of poverty in NZ

SOCIAL POLICY AND PARLIAMENTARY UNIT'S ASSESSMENT OF THE NATIONAL PARTY'S WELFARE POLICY

The National Party has released its welfare reform policy as part of the 2011 General Election campaign. A press release from the Minister of Social Development Paula Bennett outlining their policy is available from the [National Party website](#). This paper outlines and discusses the main points of this proposed policy and casts them against the broader background of welfare issues facing New Zealand.

1. Main points of the policy

The policy announcement has highlighted three main proposed changes in welfare policy:

- An **'investment approach'** where money and effort is to be spent on getting people who are seen to be at risk of long-term benefit dependency into work. This investment will be in the form of additional childcare support, counselling and perhaps training. The media release claims that the cost of this investment will be \$130 million but that the approach will generate \$1 billion in savings over the next four years. Such a level of saving would represent less than 5% of the cost of working age benefits.
- **A focus on work**, not on what Ms Bennett refers to as 'entitlements' which she claims will shift 'the focus to what people can do, not what they can't'. How this focus will work in practice is not spelt out, but it may include the possible application of more stringent work testing rules and eligibility being based on more actively-enforced rules around job search efforts. Within the proposals offered in the press release, is that solo parents with children aged over-five will be expected to find part-time work, while those with children aged over-14 will be expected to be looking for full-time work.
- **Renaming of benefits** so that the Unemployment Benefit, Sickness Benefit and DPB or Domestic Purposes Benefit (for those with children aged over 14) becomes the *Jobseeker*

Support, the DBP (for parents with children under 14) becomes the *Sole Parent Support*, and the invalids benefit and the chronically or terminally ill receiving a sickness benefit will receive the *Supported Living Payment*.

2. Analysis of changes

Perhaps the only real new initiative in the package is the promise to spend \$130 million on the so-called investments in getting people into work. Not all of this \$130 million is new money, as some is said to have been 're-prioritised' so it is possible that some of this money was already being used for similar purposes as those proposed in the new policy approach. The focus on additional childcare is welcomed and some mention has been made of spending more on the Out of School Care and Recreation (OSCAR) programme for after-school care for children with working parents.

The problem around childcare is the existing deficit of Early Childhood Education (ECE) places in poor communities, and so there is already an absence of opportunity for single parents working in these communities to send children to childcare. It is, of course, in these communities where levels of welfare dependency are highest. For example, the deficit of ECE places in South Auckland is around 6000 places, if South Auckland was to receive the same level of ECE availability as the New Zealand wide average. This deficit is the same as 100 average-sized ECE centres being missing from this community. A similar pattern is repeated in many other poorer communities such as Porirua and Hastings. Clearly \$130 million annually is not going to plug this gap, although the Government's continued efforts at building additional ECE centres from the education budget, particularly in South Auckland, should be acknowledged and applauded.

It is probably the case that the focus on work for the long-term unemployed is nothing new in the operation of the Ministry of Social Development and its Department of Work and Income. The political rhetoric of getting tough on welfare bludgers may be part of National's campaign positioning.

While the change in the name of the benefits may be seen as being cosmetic, there could, in fact, be some symbolic value in these changes. The new names of the benefits are more descriptive of what society expects these payments to achieve—so where as the Unemployment Employment might be seen as a payment to be unemployed, the Jobseeker Support payment comes to be seen as support given to someone while they look for work. As Ms Bennett in her press release rightly identifies, calling a payment an invalids benefit 'for many is offensive and outdated'.

It may, however, take more than a name-change to change the culture around benefit payments. Unless there is a significant tangible change in the way the benefit system is administered, the cynicism around the whole exercise may become even more deeply entrenched. For example, a Jobseeker Support payment in Kaikohe or Kawerau where unemployment is high and job churn quite low could be seen as a joke, simply because hardly anyone ever gets a job. The amount of new money and effort actually available in such areas in order to create a new dynamic around benefit access and administration will be critical to the chances of avoiding such deeper cynicism.

3. Clarifications and corrections

Some points made in Ms Bennett’s press release are not entirely accurate and may be misleading. The following are the main examples which are backed up with some data:

‘It is not socially or financially sustainable to continue to spend eight billion dollars a year to pay benefits to 12 per cent of working age New Zealanders.’

The cost of working age benefits and of NZ Superannuation for the last two years is provided in the table below. This data is sourced from Government’s most recent 2010/11 Financial Statements (p. 56):

Table 1: Financial costs of main working age benefits 2010 and 2011

Year ended	June 2010	June 2011
Domestic Purposes Benefit	\$1,693 million	\$1,757 million
Unemployment Benefit	\$930 million	\$943 million
Invalids Benefit	\$1,303 million	\$1,306 million
Sickness Benefit	\$710 million	\$743 million
Total Working Age Benefits	\$4,636 million	\$4,749 million
New Zealand Superannuation	\$8,290 million	\$8,830 million

The \$8 billion figure of the Minister is inflated and misleading. Furthermore, as shown in Table 1, the costs of the main working age benefits rose 2.4%, or \$113 million in nominal terms, between 2009/10 and 2010/11; while the cost of NZ Superannuation rose 6.5%, or by \$540 million, over the same period. One reason it might be claimed that payments on working age benefits are not sustainable is not that they have risen exorbitantly, but because the Government has other commitments which it must meet and so really needs these working age beneficiaries to work and pay taxes. One of these other commitments is, of course, New Zealand Superannuation and it seems

quite unfair to talk about unsustainable welfare payments to one group of people when no mention is made of much higher and more rapidly growing payments to another group of people.

‘There are clear links between welfare, poverty and poor health. Evidence shows children are better off when their parents are in work, not on welfare.’

While there are clear links between welfare, poverty and poor health, there remains some dispute over which way these links or the causality runs. The children of beneficiaries often suffer multiple disadvantages, not the least of which is inadequate income and sometimes insecure housing. They most often live in neighbourhoods and towns with few public services and struggling schools, but many liquor stores and pokie bars. Their poverty is multifaceted and often the consequence of poor public policy. The reason the children of working parents do better is, in part, because they have more income and are less likely to live in the social environments occupied by beneficiaries. It may be that work is not necessarily a cause of their better fortunes, and may in fact be just a marker or indicator of it.

‘Given we’ve reduced the Unemployment Benefit by 10,000 in the last year alone, I’m confident we can continue to get many more off welfare into work.’

Beneficiary numbers for 2007 (before the Global Financial Crisis or GFC), and in 2010 and 2011, are provided in the Table 2. This data supports the Minister’s claim that numbers of people on the Unemployment Benefit have declined by 10,000 since September 2010, but these numbers are still 140% more than before the recession and GFC. Total numbers of benefits being paid out declined by just over 9,000 between September 2010 and September 2011, but in September 2011 these numbers were still 68,700 or 28% more than in September 2007. While the additional numbers of people receiving benefits between 2007 and now is a result of the global financial crisis and economic slowdown resulting from it, the evidence offered by this data is clear that the numbers of people on benefits falls rapidly when there are jobs. The rapid increase in joblessness and benefit dependency, and especially of the numbers of people on the DPB since 2007, is not the result of moral weakness from those concerned, but the lack of opportunity.

Another thing to take from Table 2 is that despite the numbers of people moving off the Unemployment Benefit through the Government’s efforts (as claimed by the Minister), the numbers of children living on benefits has changed little. Surely this is the indicator we should be looking at

since the Minister has highlighted the problem of benefit dependency and child poverty in her press release and elsewhere.

Table 2: Numbers of main benefits being paid 2007, 2010 and 2011

At end of September	2007	2010	2011
Domestic Purposes Benefit	96,620	112,765	114,147
Unemployment Benefit	23,096	65,281	55,661
Invalids Benefit	77,426	85,305	84,524
Sickness Benefit	47,128	58,661	58,651
Total main working age benefits paid	244,270	322,012	312,983
Estimate of number of children on benefits	203,900	241,400	240,200

A supporting Q&A sheet to the Minister's press release attempts to answer the predictable question of critics 'where are the jobs?' by claiming the 'number of people in work increased by 43,000 in the year to June 2011. Jobs advertised online increased by 25 per cent over the last year.' As our society becomes more connected and 'online' we should probably expect a higher proportion of jobs to be advertised online, so the 25% increase is not necessarily an indicator of anything except how popular online job advertising is becoming.

The 43,000 figure comes from the Household Labour Force Survey published by Statistics NZ.

Additional data from this survey is offered in the following table:

Table 3: Workforce and employment data from Household Labour Force Survey

At end of September	2007	2010	2011
Working age population			
Total population	3,263,000	3,433,000	3,470,000
Total in workforce	2,229,000	2,343,000	2,375,000
Total employed	2,150,000	2,193,000	2,218,000
Labour force participation rate	68.3%	68.3%	68.4%
Unemployment rate (% of those in workforce)	3.5%	6.4%	6.6%
15-19 year olds			
Total population	316,900	320,300	315,100
Total in workforce	176,000	143,500	133,700
Total employed	150,000	110,000	102,400
Labour force participation rate	55.5%	44.8%	42.4%
Unemployment rate (% of those in workforce)	14.8%	23.3%	23.4%

This comparison between the total population and 15-19 year olds is damning, and should be mentioned if the Government is going to stand on its performance on getting people off the dole

and targeting for assistance those people who are most at risk of long-term dependency and other social malaise. These figures show clearly the extent to which young people have borne the brunt of the recession/economic slow down, and this should be the focus of our efforts at getting people back into work. This data shows that the numbers of people in work grew by a credible 57,000 since the beginning of the global financial crisis, which in comparison with Europe and North America is stunning. While there was this overall increase, the number of 15-19 year olds in work declined by 47,000 or by 15% of the entire 15-19 year old population. This decline has been brought about by a doubling in the youth unemployment rate (13.2% to 27.6%) and nearly a 20% decline in the participation rate (54.7% to 45%) as more young people stay at school or at tertiary education.