

About Child Poverty Action Group

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 child poverty.

If you would like to support CPAG's work, please visit our website: www.cpag.org.nz

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Further fraying of the welfare safety net

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Introduction

In 2008, Caritas Aotearoa New Zealand commissioned the Beneficiary Advocacy Federation of New Zealand to examine and document changes to the welfare state since 1991. Their report, *The Unravelling of the Welfare Safety Net*, painted a picture of cumulative attacks that by 2008 had seriously undermined the welfare state's original purpose:

...beneficiaries and benefit advocates are sounding an alarm that the safety net is unravelling. Caritas believes many people are unaware of changes that have occurred in recent years. More disturbingly, it appears to us that, despite overall increased social spending, many of the changes are fundamentally at odds with the concept of meeting need. (McGurk, 2008)

The report provided a brief history of the changes to New Zealand's social welfare benefit system from the 1991 benefit cuts to the 2008 proposed single core benefit. They found that there had been a continual dismantling of key aspects of the 'safety net', regardless of the party in power.

Lisa Beech of Caritas noted in the foreword that, prior to becoming Prime Minister in 2008, John Key said, "it was important that people not become 'entangled' in the welfare safety net". She concluded:

In our opinion, it is much more likely that New Zealanders will find in their time of need that the 'safety net' simply no longer bears their weight.

Since the 2008 report, nine more years of further fraying of the welfare safety net has created an Aotearoa that is almost unrecognisable to those who grew up here in the 1950s, 1960s and 1970s. In 2017 it is not unusual for families to be living in their car, in someone else's garage, or in a substandard boarding house. Foodbanks are unable to meet the soaring demands from not only beneficiaries but, increasingly, the working poor, and private charities, such as KidsCan and Variety, are overwhelmed by the demand from poor families for basic necessities.

By 2015, relative child poverty rates after housing costs were around two and a half times as high as in the mid-1980s, and about 40% of the children in poverty lived in 'working' families (Perry, 2017, p. 149). Conditions for receipt of assistance have been tightened, making it increasingly difficult to access an adequate amount and producing vicious poverty traps. This erosion of state support has been framed since 2012 in the rhetoric of 'social investment'. The result has been increasing hardship and rising inequality.

The further fraying of the safety net can be described as deliberate, methodical, and part of a wider plan to reduce state spending, particularly on social welfare, and to create a climate in which welfare recipients are viewed negatively, as the creators of their own misfortune.

The Ministry of Social Development (MSD) provides a comprehensive history of welfare and other policy changes in social assistance over time on its website (McKenzie, 2017). Our intent in this publication is to highlight the key changes and identify themes in the continued, systematic reduction of social welfare and income support for children since 2008. We focus in this report on changes to welfare benefits, the Working for Families (WFF) package, and social security legislation and regulation. Housing, health, and education policies have also profoundly reinforced the trends in welfare assistance, but are not in scope for this report.

Setting the scene: Summary of welfare reforms 1984 to 2008

The fourth Labour Government took office in 1984, and focused primarily on a radical restructuring of the economy. It introduced a number of measures to assist low-income families, including the Family Care package in 1984, Family Support in 1986, and an improved Training Incentive Allowance (TIS) in 1983, to assist beneficiaries into tertiary study. Major reforms to social policy were intended to come later, as outcomes of the Royal Commission on Social Policy, which reported in 1988 (Royal Commission on Social Policy, 1988). A broad-based 10% Goods and Services Tax was introduced in 1986, and in 1987 Roger Douglas proposed a low, flat-rate tax, along with a Guaranteed Minimum Family Income available only to those working for pay (Nolan, 2002). While these changes were moderated under Prime Minister Lange, they paved the way for more neoliberal reforms to come.

Elected in 1990, the incoming National Government outlined radical user-pays reforms along with major changes to benefits and state pension.

In 1991, rather than the expected usual inflation-related upwards adjustment, draconian cuts of up to 25% were made to benefit payments, and the universal Family Benefit payment was to be incorporated into Family Support payments, so that all family assistance became targeted to low-income families. National Superannuation, later to be called New Zealand Superannuation, was to become a tightly income-tested welfare benefit (although this was not achieved). The guiding principle behind many of National's welfare reforms was to increase the targeting of benefits and services so that they were available only to those most in need (Shiple, 1991; St John & Rankin, 1998). Other reforms set out in the 1991 budget documents included wholesale deregulation of the labour market through the introduction of the Employment Contracts Act, extending the user-pays policy in the health sector, the introduction of market-based rentals in the public housing sector, and the further privatisation of public assets.

In 1996 the National Government introduced tax cuts and an increase in both Family Support and the Guaranteed Minimum Family Income (Birch, 1996). An 'Independent Family Tax Credit' for low-income working families (later renamed the Child Tax Credit) aimed to increase the incentives for beneficiaries to be "independent from the state". This was the beginning of the use of child-related payments in a discriminatory way. Further welfare reform in the 1998 Budget reduced the level of payment for new sickness beneficiaries (SB), required Domestic Purposes Benefit (DPB) recipients with a youngest child aged between 6 and 13 years to seek part-time work, and introduced a 'work for the dole' scheme called the Community Wage (McCardle, 1998).

An important feature of National's welfare reforms in the mid-to late 1990s was the introduction of the term 'welfare dependency'. The term was "used in a very pejorative sense to describe almost all aspects of benefit receipt and beneficiary behaviour" (O'Brien, 2008, p. 180).

The fifth Labour Government 1999-2008

A Labour-led coalition defeated National in the 1999 General Election. Despite promising, while in opposition, to restore the benefit cuts of 1991, throughout their term in office Labour allowed the real value of benefits to decline further relative to average wages. However the 'benefit fraud' and 'welfare dependency' campaigns waged by their predecessors ceased, along with the Community Wage scheme. They abandoned the more punitive approach to welfare recipients taken by the National Government, emphasising support to move beneficiaries into paid work. Sole parent beneficiaries and those receiving either the Sickness or Invalids Benefit were increasingly expected to take part in activities designed to help them find paid work, and were given a range of financial incentives to assist in this process.

The Labour-led Government also significantly expanded measures to 'make work pay'. These included increasing the minimum wage, expanding the use and value of In-Work Tax Credits through the WFF package, enhancing support for childcare, and introducing Paid Parental Leave (PPL).

WFF tax credits are paid to the caregiver in eligible families with dependent children aged 18 or younger to help with day-to-day living costs. The programme was implemented 2005-2007 and built on the existing framework of assistance for families. Despite Labour's opposition to the Child Tax Credit (CTC) introduced by National in 1996 for only those 'deserving poor' families deemed independent from the state, in 2006 Labour changed the CTC into the In-Work Tax Credit (IWTC), payable only to families with at least one parent in paid work for a minimum number of hours. The rationale was that an incentive was needed to get beneficiary parents into paid work, reflecting Labour's pro-work focus.

Around 230,000 of New Zealand's poorest children were excluded from this significant payment (St John & Craig, 2004). Thus while WFF reduced child poverty rates overall, the Ministry of Social Development (MSD) acknowledged that the lack of access to this tax credit meant WFF did not reduce poverty rates in the poorest families:

From 1992 to 2004, children in workless households generally had poverty rates around four times higher than for those in households where at least one adult was in full-time work. From 2007 to 2015, the difference was even greater – around six to seven times higher for children in workless households. This change in relativities to a large degree reflects the greater WFF assistance for working families than for beneficiary families.

The fall in child poverty rates from 2004 to 2007 for children in one-FT-one-workless 2P households was very large (28% to 9% using the 50% CV-07 measure), reflecting the WFF impact, especially through the In-work Tax Credit. (Perry, 2017, p 142)

The IWTC is now \$72.50 per week. It requires a family to be both off-benefit and meeting minimum weekly paid work hours (30 hours for a couple and 20 hours for a single parent). Denying such payments for children of beneficiaries was found by the Courts to constitute discrimination, after a lengthy challenge mounted by CPAG 2002-2012 (Joychild, 2013) .

Rewriting the Social Security Act

Under the Destitute Persons legislation of the past, relatives were supposed to be the first port of call (Thomson, 1998). The Social Security Act 1938 adopted new principles of solidarity consistent with a view of social insurance for all. This view was reinforced by the 1972 Royal Commission on Social Security (1972) and later by the Royal Commission on Social Policy (1988). These reports stressed that provision of benefits was about ensuring that everyone had enough income to enable them to both participate in and enjoy a sense of belonging to society. The purpose of social security was to support people when their circumstances changed, in a way that meant such an event did not impoverish them or impact on their ability to recover from that event.

The ACC scheme of 1974 provided non-means-tested, earnings-related compensation for losses due to personal injury. New Zealand Superannuation was (and remains) a universal non-means-tested pension paid regardless of tax contributions in the past. Social welfare benefits were always more limited in scope, but they were to be available to those in low-income households, and were not asset-tested. There was good reason for this. If a person who has lost their job has to sell assets such as home and car, or go into debt just to pay for the everyday costs of survival, they may never get back on their feet. As the 1972 Royal Commission stated:

Most of the submissions did not distinguish between means and income tests, an important differentiation. A means test relates to both income and other resources such as property and household effects. In some instances in the past this was even extended to include the resources of near relatives. An income test, on the other hand, relates only to income (including, of course, income from property or other capital. (Royal Commission of Inquiry on Social Security in New Zealand, 1972, p. 139)

Importantly, in the New Zealand system, asset and income tests apply only to the limited case of top-ups to relieve hardship:

None of the standard categorical social security benefits is subject to a means test. All except universal superannuation, family benefit, and miners' benefits are, however, subject to an income test set at the level of the benefit plus a varying amount of "allowable other income". Apart from ad hoc emergency payments, it is only in the area of supplementary assistance that assets as well as income are taken into account. (Royal Commission of Inquiry on Social Security in New Zealand, 1972, p. 139)

In 2007 Labour included a new statement of purpose and set of principles in the Social Security Act 1964 (see Box 1). The intent was not only to put a new emphasis on paid work as the tool of social inclusion, but also to introduce the idea that an individual should use resources available to them first, before seeking help from the state.

Box 1. Social Security Act

Social Security Act (2007)

Purpose:

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

Principles:

- work in paid employment offers the best opportunity for people to achieve social and economic wellbeing;
- the priority for people of working age should be to find and retain work;
- 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; and
- people for whom work is not appropriate should be supported in accordance with this Act.

As the 2008 *Unravelling* report noted, the new ‘purpose and principles’ sections of the Act had the effect of dispensing with the true nature of social security and of removing the meeting of need as the legislation’s primary concern. Thus, just as in the 1980s, Labour again paved the way for an incoming National Government to make even more extreme reforms. Labour’s changes to the Act allowed National to further emphasise the primacy of paid work and to downplay any social insurance aspects of social security or community responsibility.

National: preparing for office

Prior to the 2008 election, John Key (2008) gave a speech spelling out National's proposed welfare reform agenda. He said that "National is going to have an unrelenting focus on work" because participation in paid work provided people with the best way to achieve wellbeing and was the best way to reduce child poverty. A second justification, in his view, was fairness:

It's not fair on the people who pay the nation's welfare bill to have people receiving benefits and not making every reasonable attempt to pick themselves up, find a job, and stand on their own two feet. (Key, 2008)

Reflecting National's long-standing belief in the scourge of 'welfare dependency', Key argued that some people had become too used to being on a benefit and saw it as a permanent entitlement. This group was contrasted with those he identified as 'hard working', who were not necessarily well-off and who paid taxes so that others could receive assistance.

Revisiting ideas behind the old 'community wage' scheme, Key also announced that:

Within 12 months of a new National Government, every person who has been on the unemployment benefit for more than a year, of which there are around 5,000, will be required to re-apply for their benefit and undergo a comprehensive work assessment. All long-term unemployment beneficiaries will be required to do what it takes to secure employment. This may include practical training, attending a basic-skills course, or attending drug and alcohol rehabilitation. (Key, 2008)

Reforms were also promised to the Sickness (SB) and sole parent (DPB) benefits. Part-time work obligations of at least 15 hours a week in employment, training, or job-seeking activities would apply to DPB recipients once their youngest dependent child was aged six or over, and to SB and IB recipients who had been assessed as being able to work part time. Foreshadowing a more intrusive approach: conditions attached to the SB would be tightened, with more frequent reassessments and medical certificates issued for a maximum of four weeks for the first two certificates. The third and any subsequent medical certificate would continue to cover a period of up to 13 weeks. In addition, a person in receipt of a SB continuously for 12 months would be required to see a WINZ 'designated doctor' for a second opinion. Key also proposed the introduction of a graduated set of sanctions, and some changes to encourage work by increasing the income threshold for benefit abatement for some.

In November 2008, the National Party formed a minority government with confidence-and-supply support from the ACT, United Future and Māori parties. Most of the reforms outlined in Key's speech were subsequently put into policy by the National-led Government over its three terms in office (2008-2017).

Responses to the Global Financial Crisis: 2008-2009

National's previously announced plans for welfare reform were disrupted by the Global Financial Crisis (GFC), which began to impact New Zealand in 2008. In response to fears of an economic downturn, National increased funding to the Job Search Service, and created two temporary benefits for at-risk employees: 'ReStart' and 'Job Support Scheme Allowance'.

'Restart' (from early 2009) was designed to assist those made redundant. It was available to those who had been in work for at least 6 months. The three ReStart components included:

1. ReCover - a payment for up to 16 weeks for families with children no longer eligible for the In Work Tax Credit
2. RePlace - for those who qualified for the maximum Accommodation Supplement after being made redundant
3. ReConnect - comprising employment and job services (Bennett, 2009b).

The Job Support Scheme Allowance was targeted at businesses with over 100 permanent full-time employees. Employers and workers negotiated voluntary agreements to reduce their hours of work to up to 10 hours a fortnight. The Government then paid \$12.50 an hour (the adult minimum wage) per worker for up to five hours a fortnight (Bennett, 2009a). This active intervention allowed workers to maintain their jobs whilst easing the financial burden of the employers; however, both this scheme and ReStart were short-lived and ceased in 2010.

In November 2009, the MSD began using a predictive model, Likelihood of Long-term Benefit Receipt (LLTBR), to estimate the risk of a person remaining on benefit for the next two years. This model identified key characteristics of those who received social security benefit in the long term and allocated a rating to beneficiaries. It recorded correlations between benefit status and history and other factors, such as the regions where they lived, age, number of children, skills, history of receiving student allowance, current and previous medical incapacities (McKenzie, 2017). Rather than looking for environmental or external factors, MSD appeared to be assuming a causal relationship between long-term benefit receipt and particular personal or inherent factors.

In an early example of the 'beneficiary bashing' which was to occur frequently later in National's second term in office, Minister Bennett released personal details of the incomes of two beneficiaries who had publically criticised the Government's plan to stop beneficiaries getting the Training Incentive Allowance (TIA) (Espiner, 2009). The TIA had enabled many sole parents to go to university to complete their degrees, by offering an extra payment of around \$3000 per annum.

Three new programmes targeting young people were introduced in August 2009. Jobs Ops was a short-term measure (initially scheduled to finish in December 2010); it was intended to target "unskilled 16-24 year olds with low or no qualifications" by providing a \$5000 subsidy to employers for each person "hired into an entry level position for six months". Young people on the programme would earn the minimum wage for that period. It was hoped the scheme would lead to ongoing employment for at least some of its participants. However, if, for whatever reason, the participant voluntarily left the programme, a stand-down period would apply before they were able to receive another benefit (Bennett, 2009c). The programme was extended in 2010, and extra funding for Employment Assistance was planned for 2011/2012, on the grounds that it would help "create extra jobs and training places for beneficiaries who need extra assistance to get jobs" (Bennett, 2010c).

Community Max, focused on the development of workplace skills through participation in community work, provided a wage subsidy for six months for young people helping to complete community-based projects. It was anticipated that Community Max would create up to 3000 employment opportunities from September 2009 onward (Bennett, 2009b). It proved a successful scheme that was welcomed in the regions as it provided thousands of youths with six months' work placement. Disappointingly, it was wound up in 2010 when it was described by Work and Income head Mike Smith as "a time-

limited recessionary response not intended to be a continuing programme” (Ash, 2010).

The third programme, Straight to Work, encouraged industry partnerships to develop industry-specific work skills amongst young people (Ministry of Social Development, 2012a).

National also expanded the Limited Service Volunteers Programme run by the New Zealand Defence Force. The scheme was a six-week hands-on motivational and training programme for young people, run on behalf of Work and Income (Ministry for Social Development, 2014). The scheme targeted 18-25 year olds on an Unemployment Benefit (UB), and was intended to help them gain the skills and confidence necessary to get a job (Bennett & Roy, 2010).

National's first term and welfare reform

Unrelenting focus on work, tougher sanctions: welfare reforms 2010

The first wave of the work-focussed welfare reforms signalled by Key in his pre-2008 election speech were announced in March 2010. These sought to “reform benefits by rebalancing obligations and support – to bring an unrelenting focus on work” (Bennett, 2010a). The Future Focus package introduced:

- Work testing and part-time work requirements for SPS recipients with youngest child aged six and over.
- Annual re-application for JS accompanied by a comprehensive work assessment each time.
- Monthly reassessment for SB for the first two medical certificates and compulsory annual reassessments.
- Young people receiving the Independent Youth Benefit (IYB) must be in education, work or training
- New Hardship Grants criteria – budget advice required for repeated use of hardship grants.

A new range of sanctions ranged from a 25% reduction in benefit to a full cancellation for 13 weeks. ‘Strike one’ sanctions would mean a decrease of 25% or 50% in the benefit payment. ‘Strike two’ sanctions received in the same year would see a benefit suspended for a maximum of 13 weeks. ‘Strike three’ sanctions would result in benefit cancellation. There was also a ‘grade four’ offence – refusal to take a job, which carried an automatic penalty of the benefit being suspended for 13 weeks.

The Minister appeared to believe that the interests of children were safeguarded because sole parents and couples with dependent children faced a maximum of only 50 percent reduction, suspension, or cancellation of their main benefit (Wynd, 2014). Between 2013 and 2016, over 106,000 ‘Strike one’ benefit reductions were imposed, along with 41,500 ‘Strike two’ benefit suspensions, 17,000 ‘Strike three’ benefit cancellations, and 229 ‘grade four’ benefit suspensions (Sherman, 2016).

Along with the new obligations, new support initiatives came into effect in September 2010:

- An increase in abatement thresholds to \$100 per week for SPSs and SBs (Community Law, 2017).
- Benefits automatically indexed annually to CPI.
- Recoverable training support for sole parents studying full-time at level 4 or above (\$500).
- Childcare support, i.e. funding (\$4 million over 3 years) to increase out of school care (OSCAR) providers (Bennett, 2010b).

Early in May 2010, Minister Bennett announced the next phase of the Future Focus programme of reforms, to come into effect on 2 May 2011. She noted that “... , Sickness Beneficiaries assessed as being able to work 15 to 29 hours a week will have an obligation to look for suitable part-time work.” (Bennett, 2011c) In addition, SBs would be required to obtain an extra medical reassessment eight weeks after going onto the benefit. This was in addition to a requirement to provide medical certificates after four weeks on benefit, and then every 13 weeks to prove eligibility. Beneficiaries were also required to have a compulsory review by their case manager if they had been on the SB for more than 12 months.

Shifting away from any kind of framework of 'wellbeing', the changes focused sharply on the potential capacity to work. Beneficiaries' training courses strongly emphasised getting participants into paid work (Bennett, 2010e). This took precedence over identifying support/services needed for applicants.

When the first earthquake hit Christchurch on 4 September 2010, the Government had to find immediate financial assistance for those affected. Several changes were made for all beneficiaries: work obligations were extended further to sole parents, and the negotiated Job Seeker Agreement was abolished, so that an unemployed person would be directed to a job even if they did not like working there. Refusal could lead to penalties and sanctions. This change meant that social development and personal wellbeing goals were now excluded for beneficiaries. More strict criteria and requirements were also imposed in order to access the SB and IB.

Following the Tax Working Group report (2010), income tax reductions were introduced on 1 October 2010. The gross rates of benefits and student allowances were reduced accordingly, so that the income tax reductions did not increase their disposable income. Furthermore, GST was increased from 12.5% to 15%, effectively cutting the purchasing power of low-income families.

Student support

After the GFC, the Government initially allowed Student Allowance, Student Loan and Accommodation Supplement to keep up with CPI, in order to preserve their real value. In addition, the Government increased the Student Loan repayment income threshold in accordance with CPI movements (2008). However, from April 2011 this threshold was frozen. The Government argued that this was necessary because of the economic climate and the cost of student loans to the Government. CPAG commissioned a report to examine the extent of student poverty and the policy direction that was clearly creating an increasing problem of student hardship (Lin, 2016).

More positively, the minimum wage had been steadily increased. For example, from 2008 to 2009 it increased by 4.2% to \$12.50, and in 2011 it was raised to \$13 per hour.

The Welfare Working Group

Cabinet established a Welfare Working Group (WWG) in April 2010, tasked with undertaking an expansive and fundamental review of New Zealand's welfare system.

With benefit rates and benefit adequacy specifically excluded, WWG's primary task was to identify how to reduce long-term welfare dependency. Their focus was on three 'problem' groups: sole parents, sickness and invalid beneficiaries, and youth. WWG's mandate was to examine:

- Ways to reduce benefit dependence and get better work outcomes;
- How welfare should be funded, and whether there are things that could be learned from the insurance industry and ACC in terms of managing the Government's forward liability;
- How to promote opportunities and independence for disabled people and people with ill health;
- Whether the structure of the benefit system and hardship assistance in particular was contributing to long-term benefit dependency (Bennett, 2010d).

Chaired by Paula Rebstock, WWG contained a mix of business and community leaders, academics and employers. The first report, *Long-Term Benefit Dependency: The Issues* (Welfare Working Group, 2010a), was followed by *Reducing Long-Term Benefit Dependency: The Options* (Welfare Working Group, 2010b).

Welfare Working Group proposals for reform

The reforms proposed in WWG's 2011 final report were underpinned by an 'investment-based approach': a response to one of the terms of reference which required them to consider 'How welfare should be funded', and whether 'there are things that can be learned from the insurance industry and ACC in terms of managing the Government's forward liability' (Welfare Working Group, 2011, 36). Forward liability was defined in the report as "the expected costs associated with an individual being in the welfare system over their working life", and it argued that it was necessary for the welfare system to invest early "to reduce the long-term social, economic and fiscal costs of welfare dependency" (Welfare Working Group, 2011, vii).

The 43 recommendations centred on "eight key reform themes to improve lifetime outcomes for people at risk of long-term welfare dependency" (Welfare Working Group, 2011, 1). These themes were:

- *A stronger work focus for more people* - A new system needs to assume that most people of working age, including sick people and disabled people with long-term needs, can work;
- *Reciprocal obligations* - Individuals on welfare benefits who can work should be supported and encouraged by policy settings and a responsive service delivery agency to find paid work;
- *A long-term view* - To reduce the long-term social, economic and fiscal costs of welfare dependency, the welfare system invests early and adopts an actuarial approach¹ to measuring the forward liability;
- *Committing to targets* – set an achievable numerical target for reducing the number of people dependent on welfare to direct attention to the scale of the problem, ensure a sharper focus across Government and the community on outcomes from reform, and provide a clear yardstick for measuring progress.
- *Improving outcomes for Māori* – Use all available options and opportunities to lift Māori education, training and employment outcomes, and reduce the social and economic costs of having 31% of working-age Māori on welfare;
- *Improving outcomes for children* - Welfare reform options must explicitly consider the potential social and intergenerational impacts on the wellbeing of the 222,000 children growing up in benefit-dependent households. Reducing the high incidence of child poverty through focus on at-risk jobless households and whanau is a priority;
- *A cross-Government approach* – Because many of the solutions to reducing long-term welfare dependency lie outside the welfare system, cross-Government and community leadership is critical, particularly if the education system is to meet the needs of at-risk, under-achieving children and young people; and core health services are to assist injured and ill New Zealanders to recover as quickly and well as possible with any consequent morbidity minimised; *and*
- *More effective delivery* - New skills and capacity will enable an outcomes-focused delivery agency to deliver effective services to people at risk of long-term welfare dependency (including for Māori, Pacific people, migrants, refugees and young people). Contracts for not-for-profit and private sector providers need to be rigorously designed and managed, and hold the delivery agency accountable for reducing the forward liability and the associated reduction in long-term welfare dependency. (Welfare Working Group, 2011)

The two fundamental changes to welfare proposed by WWG were:

¹ The actuarial approach is used by insurance companies: it is the examination of risk by a professional statistician in order to manage financial uncertainty by making educated predictions about future events.

- The establishment of a new single work-focused welfare payment to replace most existing categories of benefit, to be called Jobseeker Support, and
- The establishment of a delivery agency, Employment and Support New Zealand, to implement the new approach.

The first of these measures was adopted by the Government, but the second was rejected.

'Social investment' to replace social security

WWG's third key reform theme, 'social investment', would soon be revealed as the foundation for all the others:

The welfare system invests early in order to reduce the long-term social, economic and fiscal costs of welfare dependency, and adopts an actuarial approach to measuring the forward liability. (Welfare Working Group, 2011, p.2)

The eighth theme of more effective delivery proposed not only contracting not-for-profit and private sector providers to deliver effective services to people at risk of long-term welfare dependency, but also holding those providers accountable for reducing the forward liability and the associated reduction in long-term welfare dependency. The specified target by which success of the reforms would be measured was the reduction in numbers of working age New Zealanders on welfare by 100,000 people by 2021 (Welfare Working Group, 2011, p.4).

WWG proposed to increase the proportion of people receiving welfare who are actively supported to find paid work from the then current 37% of all working age welfare recipients to 77% (Welfare Working Group, 2011, 8). To encourage the move to paid work, WWG suggested that the current sanctions regime could be improved in a variety of ways to underpin the integrity of the welfare system, including a minimum sanction period (Welfare Working Group, 2011, p.15).

WWG suggested their proposed new approach to welfare reform could result in:

- A reduction in the numbers of people on a benefit in New Zealand of around 100,000 people (including partners of welfare recipients) by 2021;
- An expected cost of between \$215 and \$285 million per year in additional services;
- A reduction in the forward liability from around \$47 billion to around \$34 billion by 2021;
- An annual net savings of around \$1.3 billion per annum by 2021; and
- higher employment, lower poverty, reduced inequality, better economic outcomes and improved outcomes for children, young people, Māori, disabled people, those who are sick, and other key at-risk groups (Welfare Working Group, 2011, p.18).

In July 2011, the Ministers for Finance and for Social Development circulated *Cabinet Paper 1: Reforming the Benefit System: An Investment Approach* (English & Bennett, 2011), which recommended adopting the changes proposed by WWG, apart from replacing Work and Income with a new Ministry. The investment approach as described by the WWG and in the Cabinet paper was subsequently introduced by the Government, with some variations on the original proposals.

At the same time, Prime Minister John Key and his deputy Bill English announced the Better Public Services Results Targets, with the original stricter measure of success for the reforms:

Reducing long-term welfare dependency...Currently, 12% cent of New Zealand's

working age population is on a main benefit and over 230,000 children live in benefit-dependent homes. More than 170,000 people have spent the majority of the past decade on welfare. What we want to achieve: • Reduce the number of people receiving those working-age benefits, which will become the new Jobseeker Support, for more than 12 months, by 30% – from 78,000 to 55,000 by 2017. (Key & English, 2012)

The 'Investment Approach' appeared to support a methodical unravelling of the remaining welfare safety net. Problems of this approach included the following:

- Although the rationale for the changes to the benefit system was to address long term benefit dependency, the success of the reforms was measured in the reduction of total beneficiary numbers;
- Success was also measured in terms of reduced state costs, rather than evidence of the increased wellbeing of the citizens;
- The focus on private and charitable delivery of services distanced the Government from any role (or responsibility) apart from allocation of taxpayer dollars;
- There was no provision for monitoring the social and economic wellbeing of those coming 'off benefit' as a consequence of the reforms.

Evidence of the importance National had attached to the reform of welfare was demonstrated with the announcement, late in May 2011, of the Ministerial Committee on Poverty to lead the welfare reform programme, comprised of all the high-ranking National-led Government ministers, with the exception of Prime Minister John Key (Bennett, 2011b).

Finally in November 2011, a series of future benefit reforms were announced. The primary focus of these measures was the introduction of three categories of benefits to replace all of the main benefit payments by 2013 (Bennett, 2011a). Table 1 details the changes.

Table 1. Changes to welfare benefit categories announced 2011 (Ministry of Social Development, 2013)

People currently on:	Change to:
Unemployment Benefit Sickness Benefit Domestic Purposes Benefit - Women Alone Domestic Purposes Benefit - Sole Parent if youngest child is aged 14 and over Widow's Benefit – without children, or if youngest child aged 14 and over	Jobseeker Support (JS)
Domestic Purposes Benefit - Sole Parent if youngest child aged under 14 Widow's Benefit – if youngest child aged under 14	Sole Parent Support (SPS)
Invalid's Benefit Domestic Purposes Benefit – Care of Sick or Infirm	Supported Living Payment (SLP)

The second term: 2011 - 2014

Shortly after a National-led coalition won the 2011 general election, the Minister for Social Development, Paula Bennett, gave a speech in which she criticised the previous system of welfare provision as being passive, very generous and expensive. In a manner similar to John Key in his pre-2008 speech on welfare reform, Bennett also outlined the focus of National's plans for welfare reform in its second term in office. The speech also outlined National's vision for its Social Investment approach, which:

... takes a long-term view of each individual entering the welfare system given their needs, challenges and prospects of a quick return to work. ... It means intervening earlier, investing in more support for those who're capable of working but are likely to remain on benefit long-term without this support. The investment approach means we are going to introduce a much more active benefit system. We will be more hands-on, supporting people into work, and we make no apologies for that. (Bennett, 2011c)

2012 Stage One welfare reforms

Late in February 2012, Bennett announced welfare reforms which she labelled 'Stage One' changes. These changes, first signalled by her in 2011, placed greater work obligations on the recipients of benefits:

- Single parents with children aged five and older to be available for part time work;
- Single parents with children 14 years and over to be available for full-time work;
- Single parents who had another child while on the benefit required to be available for work after that child reached one year; and
- The extension of similar work obligations to those receiving Widow's and Women Alone benefits and to partners of beneficiaries with children (Bennett, 2012a, 2012b).

At the same time Bennett announced a series of forthcoming measures for young adults and teen parents, saying "We want to make welfare a less attractive proposition for young people" (Young, 2012):

- A managed system of payments with essential costs such as rent and power paid directly, with an allowance and a payment card for living costs;
- Youth Service Providers incentivised to help young people into work, education or training;
- Young people required to undertake budgeting and parenting courses;
- Guaranteed Childcare Assistance Payment, so childcare costs do not stop young parents from studying;
- Sharing information between Ministries to target school leavers most at risk of coming onto a benefit from age 18 (Bennett, 2012a).

The Young Parent Payment is a weekly payment for 16-to 18-year-old parents who have dependent children, and are in need of financial assistance. Qualifying for the Young Parent Payment requires recipient parents to be:

- 16 or 17 years old, living with parents or guardian who are eligible for Family Tax Credit, or
- 16 or 17 years old and can't live with parents or guardian or get financial support from anyone, or

- 18 years old with no partner.

Obligations attached to receipt of this benefit include: work with a Youth Service provider to 'prepare for the future' through education, training or work-based learning; working with a Budgeting Service; and getting parenting training and/or ensuring the child attends early childhood education.

Benefit payments to young people were to be managed by Youth Service providers who would make sure all important costs were paid, including:

- Rent or board, power bill and any debts paid straight from the benefit, not to the beneficiary;
- Recipients paid a weekly allowance of up to \$50 into their personal bank accounts;
- Any money left over put onto a personal payment card which operates like a debit card that so food and groceries can be bought at approved stores.

2012 Changes to Working for Families

Changes to the WFF package were announced in the Budget on 19 May 2011 by Finance Minister Bill English, saying that the design changes were to "better target Working for Families to lower income earners, and ensure its cost remains sustainable into the future" (English, Bennett, & Dunne, 2011). The changes to WFF, introduced in four steps to lessen the impact on affected families, were to begin on 1 April 2012. When fully implemented, the changes would result in:

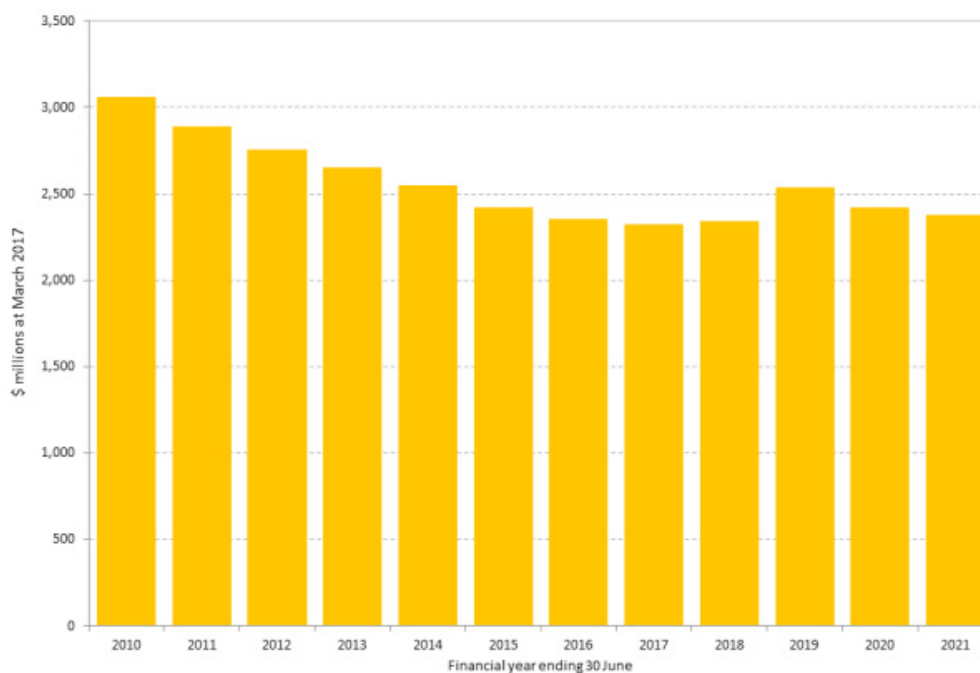
- A lower abatement threshold of \$35,000, compared with the 2011 level of \$36,827;
- A higher abatement rate of 25 cents in the dollar, compared with the 2011 level of 20 cents in the dollar;
- An alignment between Family Tax Credit (FTC) payments for children aged 16 years and over and FTC payments for those aged 13 to 15.

On 1 April 2012, the FTC was increased for inflation but the rate for those aged 16 and over was frozen. The threshold for abatement was reduced to \$36,350. The inflation adjustment reflected that there had been 5% cumulative inflation since the last change. It was to be the last inflation adjustment until 2018.

The results of these changes were to dramatically reduce real spending on WFF over time, as shown in Figure 1. The changes legislated by the National-led Government for 2018 (prior to the 2017 election) show a small boost for 2018/19 that, in turn, is projected to quickly reduce, as there is no commitment to indexation.

The real saving in costs to the Government were described as minor and gradual but when compared to what a properly indexed scheme would have cost, the cumulative savings were very significant. For example by 2017 the Government should have been spending another \$700m per annum, just to stand still. Over the period 2010-2018 the cumulative loss to low income families was nearly \$3 billion.

Figure 1. Real spending on Working for Families 2010-2017 (Johnson et al., 2017)



2012 Children's Commissioner appoints expert group to advise on poverty

In response to the severe increases in child poverty and family poverty since the 1990 benefit cuts, exacerbated by National's 'welfare reforms', the Children's Commissioner, Russell Wills had made child poverty a priority for his term. The Expert Advisory Group (EAG) was appointed and tasked with examining evidence and making recommendations that would make a real difference to reducing child poverty in New Zealand. The Commissioner intended to use the recommendations of the EAG to provide advice to the Government to inform the Ministerial Committee on Poverty.²

The EAG's final report to the Children's Commissioner, "Solutions to Child Poverty in New Zealand: evidence for action" contains 78 detailed recommendations to ensure that families have adequate income to meet their basic needs; children grow up in safe and healthy homes with stable, nurturing families, based in supportive communities; increased Government focus on children's educational engagement; and provision of health services, including antenatal services (Expert Advisory Group, 2012).

Government's 14 page response to the Children's Commissioner's EAG report (New Zealand Government, 2013) asserted that "Significant investments made over the past four years are testimony to the Government's commitment to preventing child poverty and alleviating its impacts." Then under the heading of 'Income adequacy', the issue was shifted from 'child poverty' to 'vulnerable families' p1:

² The Ministerial Committee on Poverty arose out of the Relationship Accord and Confidence and Supply Agreement in 2012 between the National Party and the Māori Party, and looks into the circumstances that trap people in poverty with the objective of providing them with real opportunities to make changes and choices. The Committee focuses on the effectiveness of current approaches and responses against a backdrop of Better Public Services and getting value for money for taxpayers; and raising education achievement, providing employment opportunities and safe, secure homes for families/Whānau. See <http://www.dpmc.govt.nz/dpmc/publications/mcop>.

The Government is focused on action to help New Zealanders with the effects of financial hardship. Substantial resources have been provided through health, housing and social assistance and the Government has supported non-government organisations to work with vulnerable families. The Government's consistent priorities have been to build a stronger economy, support people off welfare and into work, and to protect vulnerable children.

The response (p3) noted that: "Poverty rates for children in benefit dependent households are on average much higher than for those living in households where at least one parent is in full-time work." The apparent logic is that the problem lies in not being in full-time work, and this therefore justifies shifting people off benefits. However, being 'in work' does not preclude poverty; current statistics show that around 40% of the children in income poverty and 50% of the children suffering material hardship live in families *not* in receipt of a welfare benefit (Perry, 2017, p. 148 and p. 159).

The conclusion in the response (p. 12) restated that:

[T]he Government has made very substantial investments in preventing and alleviating child poverty" and that "many of these measures are in line with the recommendations of the EAG's report ... The Prime Minister has also committed to demanding child wellbeing targets under the Better Public Services (BPS) initiative.

The BPS targets for 'child wellbeing' were constructed around the Government's focus on 'vulnerable children', rather than around 'wellbeing'. The targets were to:

- Increase participation in early childhood education;
- Increase infant immunisation rates
- Reduce the incidence of rheumatic fever
- Reduce the number of assaults on children.

After the acknowledgement that "more can still be done", the Government's response to the EAG contained further references to funding for home insulation, budgeting advice services, school breakfast programmes, KidsCan, and rheumatic fever prevention (p. 13). The document finished with the reminder:

The Ministerial Committee on Poverty was established to co-ordinate work in this area", and that this Committee will "continue to consider the EAG's recommendations and whether further measures are required – and affordable – over the medium to long term.

2012-2013 Further intensification of 'work' focus

The increased work obligations for sole parents and partners of beneficiaries with children announced earlier came into force in mid-October 2012. Also in October, MSD implemented a new Service Delivery Model, including Work-Focused Case Management, as a pilot in 24 Work and Income offices. Under the new approach, beneficiaries deemed to be at higher risk of long-term benefit dependency³ were to be identified and provided with intensive one-to-one support.

In July 2013, the Social Security (Benefit Categories and Work Focus) Amendment Act came into

³ The criteria for risk of long term benefit dependency appears to be receiving a benefit for more than 1 year. See <https://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/better-public-services/reducing-long-term-welfare-dependence/reducing-long-term-welfare-dependence-action-plan.pdf>.

effect, replacing the existing seven benefit categories with three main benefits (see Table 1 above for details). Some time-limited grandparenting provisions allowed student beneficiaries to complete their studies, adjust their hours of study or change their means of financial support (e.g. seek support via a Student Allowance and/or Student Loan). From 2008 to 2011, recipients of the TIA, which met most of the cost of tertiary fees, dwindled from nearly 13,000 to under 4,000, as the criteria were tightened and the focus moved down from tertiary qualification to NCEA level 2 (Ministry of Social Development, 2012b).

The Government also announced plans to assist more disabled people and those with health disabilities into work in 2013. These plans involved more intensive support to help them find and remain in work through provision of more specialist case management, and more regular re-application for those on SL payments requiring doctors' certificates (Bennett, 2013b).

The changes clearly demonstrated the broad range of benefit recipients who were now required to be work ready (Bennett, 2013a). At the same time as the benefit reorganisation was implemented, new obligations for people on a benefit with dependent children were announced (Bennett, 2013c). These obligations included requiring beneficiaries to have their children:

- Attending early childhood education from age three until starting school;
- Attending school from age five or six (whenever they started school);
- Enrolled in primary health care and completing core WellChild/Tamariki Ora health checks. (Ministry of Social Development, 2014)

While these were not unreasonable requests, they served to reinforce the image of beneficiary parents as people who would not adequately look after their children unless supervised by the state.

New emphasis on welfare fraud

In a move that reflected policies adopted in the mid-1990s, the National-led Government also began to refer more frequently to 'welfare fraud' in 2012, and released a series of statements on this topic (Borrows, 2012a, 2012b). In March 2013, MSD implemented 'enhanced information sharing' with Inland Revenue, which provided MSD with employment details for all working-age clients in receipt of a benefit. Regular news releases by government ministers began frequently to mention 'benefit fraud' and the role of data matching by government agencies being used to catch so called 'benefit fraudsters' (Borrows, 2012a, 2012b, 2013, 2014b).

In addition, those receiving Jobseeker Support and Sole Parent Support benefits were also required to re-apply after 12 months, and drug testing was introduced for some recipients, sole parents were asked to provide the name of a person who could verify their relationship status. Such requirements served to signal that beneficiaries could not be trusted to report accurately on their living arrangements. As part of the wider Fraud Reform Programme announced in 2014, MSD implemented the Low Trust Client Initiative, designed to prevent beneficiaries who had been convicted of welfare fraud, or had in the last 12 months had overpayments established following a fraud investigation, from repeating this behaviour. The initiative was expected to apply to approximately 1500 beneficiaries, and involved completing all transactions face-to-face; assignment to a specific case manager; and a requirement to provide verification of all income and cash assets.

In July 2014, the measures introduced in the Social Security (Fraud Measures and Debt Recovery) Amendment Act came into force. Chester Borrows, Associate Minister for Social Development,

stated that this Act was “a key step in combatting welfare fraud and ensuring those who would seek to defraud the system are held accountable” (Borrows, 2014a). The Act had a particular focus on relationship fraud, which the Government argued made up a large proportion of welfare fraud each year. It made spouses and partners, as well as beneficiaries themselves, potentially also accountable for relationship fraud.

2014 ‘Success’ of the welfare reforms

The National-led Government’s welfare reform programme was heralded as a success in January 2014 by Bennett, who noted that the annual actuarial valuation of the future cost of the welfare system was \$10.3 billion lower than the previous year (Bennett, 2014b). While \$3.8 billion of this fall was due to changes to forecast inflation and discount rates, the remaining \$6 billion decrease was due, she noted, to more people getting off the benefit for longer periods, and fewer people coming onto a benefit. The savings resulting from imposing sanctions were not identified or quantified, nor was any evidence supplied on the destinations of the former beneficiaries regarding whether they were in paid work and in improved circumstances, or simply off benefit.

MSD spelt out new targets in Benefit System Performance Reports in 2013 and 2014 (Ministry of Social Development, 2014, 2015):

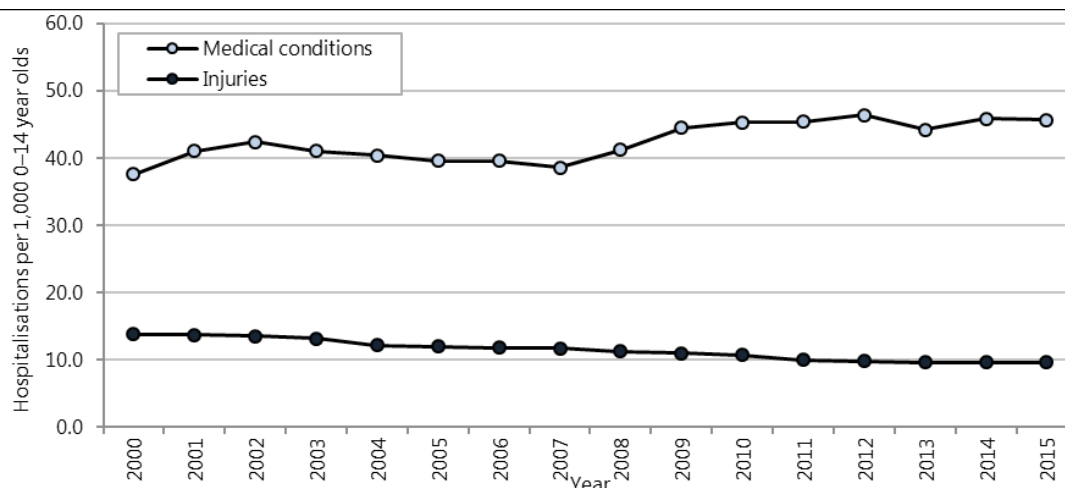
The Better Public Services (BPS) target has been altered to include a wider range of clients and greater proportion of the liability. The new target is to ‘reduce the total number of people receiving benefit by 25%, from 295,000 in June 2014 to 220,000 by June 2018 (official beneficiary counts), and reduce the long-term cost of benefit dependency by \$13bn as measured by an accumulated Actuarial Release, by June 2018’. The new target is more challenging. Achieving it will require a focus on Health Condition and Disability clients and a cross-Government approach. (Ministry of Social Development, 2015, p. 7)

2014 Inadequate incomes and poverty consequences

Māori organisations, as well as the Children’s Commissioner, Child Poverty Action Group, Auckland City Mission and other community-focussed organisations, became increasingly concerned at the spread and impact of poverty, as evidenced by growth in homelessness (Parliamentary Business, 2014) and deterioration in child health associated with poverty-related factors. For example the Child Poverty Monitor (Simpson J, Duncanson M, Oben G, Wicken A, & S, 2016) reported:

The hospitalisation rate of 0–14 year olds for medical conditions with a social gradient rose from 2000 to 2015; the rise was most marked from 2007 to 2012... The rise in hospitalisation rates for medical conditions with a social gradient was more marked for Māori, Pacific, MELAA and Asian/Indian 0–14 year olds compared with European/Other 0–14 year olds. The fall in hospitalisation rates for injuries with a social gradient was more marked for European/Other 0–14 year olds than for Māori, Pacific, Asian/Indian and MELAA 0–14 year olds. (Figure 2)

Figure 2. Hospitalisations for conditions with a social gradient in 0–14 year olds (excluding neonates), New Zealand 2000–2015



The Government responded half-heartedly in 2014 to The Māori Affairs Committee report *Inquiry into the Determinants of Wellbeing for Tamariki Māori* (Māori Affairs Committee, 2013). Among the recommendations merely ‘noted’ by the Government was the following:

Recommendation 46: Improve the adequacy of benefits and incomes for whānau without paid work to ensure the wellbeing of their tamariki.

However, a degree of concern about the high risk to children as a result of sanctions, repayments to MSD and high rental costs was implicit in a Ministerial Direction ‘In Relation to New-born Children and Hardship Assistance’ (New Zealand Gazette, 2014). The directive required MSD to consider the presence of a new-born child before applying tests and obligations such as budgeting advice when hardship assistance was sought.

In May 2014, Bennett signalled that a rewrite of New Zealand’s Social Security legislation was being considered. Remarking that the original Act had been passed in 1964, Bennett said that the many amendments since then meant that a rewrite was necessary to “ensure the legislation is in step with current and future expectations for how the Ministry of Social Development delivers its services” (Bennett, 2014a). The rewritten Act, she said, would not be signalling further reforms, but would be focused on re-enacting existing policies in a more accessible and understandable way.

Assistance for beneficiaries taking up jobs in Christchurch was announced in July 2014. Beneficiaries who had an offer of full-time employment in Christchurch and who were ready and willing to move there were offered a one-off payment of \$3,000. Towards the end of 2015, this employment initiative was expanded to other regions to help job seekers to relocate for full-time employment. The \$3,000 discretionary grant focused on clients who were:

- Aged 18 – 24 years, or
- In receipt of a main benefit for more than 6 months, or
- Currently in a Work Focused Case Management service, or
- Limited Service Volunteer (LSV) graduates, or
- Experiencing social factors where relocation would be beneficial (gang affiliates and victims of family violence). (Tolley, 2015a)

2014 Social Investment reform focus

In September 2014, as part of the Investment Approach, the Contracted Case Management Service Trials were introduced. These were intended to return beneficiaries to employment as quickly as possible, by providing wraparound services integrated with their individual current clinical support, including employment-related case management, employment placement, and In Work support through an external provider. The two services comprised a voluntary Mental Health Employment Service (MHES), with 1,000 placements available for people in receipt of Job Seeker Support with common mental health conditions who had part-time or deferred work obligations; and a Sole Parent Employment Service (SPES), with 1,000 placements available for sole parents in receipt of Job Seeker Support with full-time work obligations. The aim of SPES was to provide assistance in overcoming barriers to full-time work for sole parent beneficiaries receiving Job Seeker Support, where seeking or returning to full-time work was required due to their youngest dependant being 14+ years of age.

The third term in office, 2014 – 2017: Child poverty, Prime Minister's priority?

In 2014, Prime Minister John Key made child poverty a priority for his third term government (Key, 2014). Following a Green paper and a White paper, the Vulnerable Children Act 2014 purportedly prioritised support and services for vulnerable children and provided greater vigilance around people with a record of child abuse. Using a very narrow definition of 'vulnerability', which did not include poverty, the Act requires the heads of New Zealand Police, Ministry of Health, Ministry of Education, MSD and Ministry of Justice to be accountable for protecting and improving the lives of vulnerable children and ensuring they get the services and support they need; and to report progress on implementing their cross-sector agency plan setting out how they will collectively achieve the Government's priorities for vulnerable children. In addition, the Act requires child protection policies containing provisions on the identification and reporting of child abuse and neglect to be adopted by Te Puni Kokiri, Ministry of Business, Innovation and Employment (Housing), District Health Boards and school Boards of Trustees, and these agencies are required to ensure that their funded and contracted services also have such policies in place.⁴

In early May 2015, Minister Anne Tolley announced the release of an actuarial report from the firm Taylor Fry, claiming it confirmed that the National-led Government's welfare reforms were working (Tolley, 2015b). Taylor Fry found that between June 2013 and June 2014:

- *The liability of the benefit system decreased by an estimated \$7.5 billion, a ten per cent drop, with \$2.2 billion of that total due to welfare reform and Work and Income's support of beneficiaries.*
- *Liability for sole parents decreased by \$3.3 billion.*
- *Welfare reform has reduced the expected future time on main benefits by an average of 1.2 years for sole parents and 2.8 years for youth beneficiaries.*

2015-2016 Child hardship package, newborns, and Working for Families

From 1 April 2015, the Parental Tax Credit (PTC), part of the WFF tax credits, was increased from \$150 per week to \$220 per week, and the period of payment was extended from eight weeks to ten weeks, increasing the maximum payment from \$1,200 to \$2,200. However, the abatement rate was raised from 3.26c to 21.25c for each additional dollar of family income, meaning around 400 higher-income families would no longer qualify. Families with a new-born baby could receive the PTC if they were not receiving Paid Parental Leave or a main Social Security Benefit. The Minimum Family Tax Credit was increased from \$22,776 to \$23,036 (\$443 net per week). Paid Parental Leave was increased from 14 weeks to 16 weeks, and then to 18 weeks on 1 April 2016.

The May 2015 Budget saw the introduction of the Child Material Hardship Package and the Support for Children in Hardship Bill. This contained an unexpected increase of \$25 per week in benefit rates

⁴ Other changes under the Act include: new standard safety checks for employees in Government and government-funded children's workforce, and restriction on employment for persons with disqualifying convictions; new special guardianship provisions providing increased security for children entering Home for Life placements; parents who had killed or seriously abused or neglected a child to prove that they are safe to have subsequent children; in extreme cases the Courts are able to curtail and define guardianship rights of birth parents; and changes to Family Group Conferences to specify exactly what parents need to do to meet their children's needs.

for families with children, effective from April 2016. The Finance Minister, Bill English, claimed that this was the first increase in benefit rates above the rate of inflation for 43 years (English, 2016).

Along with the small WFF increases, additional work readiness requirements (taking effect from 1 April 2016) were introduced: most sole parents, and partners of beneficiaries, were required to be available for part-time work once their youngest child turned three, rather than five. In addition, all beneficiaries with part-time work obligations would be expected to find work for 20 hours a week, rather than 15 hours (English & Tolley, 2015). Even so, they would not qualify for the In-Work Tax Credit:

The 2015 Budget was a missed opportunity to thoroughly review the nature of WFF and examine whether the current indexation rules, the fixed hours of work requirements and off-benefit rules operate in the best interests of children, or are appropriate in the changed labour market of the 21st century. We are at a critical tipping point. The 2015 Budget changes are better than no extra spending on families, but in many ways they take us in the wrong direction. A different policy frame might focus more clearly on immediately alleviating child poverty, especially the worst child poverty, and on providing an inclusive, preventative income floor. Most New Zealanders now recognise that persistent child hardship has a very high cost both for society and for the children themselves. (St John, 2015)

In addition, from 1 April 2016, beneficiaries receiving SPS would need to re-apply for their benefit every 12 months, as was already required of those on Jobseeker Support; this meant that around two-thirds of all beneficiaries would face an annual expiry and reapplication process, enabling MSD to recheck their eligibility and confirm they were fulfilling their obligations to prepare for work and job-searching.

Adding to the state cost (and private profit) of childcare, but of questionable direct benefit to children, from 4 April 2016 the Childcare Assistance rate would increase from \$4 to \$5 an hour for low-income families, and would apply to both the Childcare Subsidy and the OSCAR Subsidy (for out of school care and holiday programmes). An estimated 41,000 families were expected to receive the new rate for at least some period over the course of the year.

Again, WFF tax credits continued to fall in real terms, while PPL increased from a maximum of \$504.10 to a maximum of \$516.85 gross per week, and the minimum payment for self-employed parents increased by \$5 per week to \$147.50 per week.

Early in 2016, the Minister for Social Development was again lauding the success of the reforms:

[Tolley] welcomed the latest benefit valuation which shows a \$12 billion reduction over four years in the welfare system's future lifetime cost, which equates to clients spending 900,000 fewer years on benefits over their working lifetimes, compared to pre-reform expectations.... The June 2015 Taylor Fry valuation shows the impact Work and Income is able to make through working intensively with clients to overcome barriers to work, with a \$2.2 billion reduction in liability in the year to June 2015, taking the total cost of the current benefit liability to \$68.4 billion. Over half of this reduction in the last year relates to those receiving Sole Parent Support, with higher exit rates for those receiving Jobseeker Support and fewer people returning to benefits making up the remaining reduction. (Tolley, 2016a)

The \$12 billion figure was based on data contained in the fifth annual actuarial valuation of the social security system (Ministry of Social Development, 2016). The Minister said this pointed to the success of the reforms, noting that the number of people receiving a main benefit had fallen below 280,000 for the first time since 2008 (Tolley, 2016b).

Implementing the changes: carrots and sticks

The changes to WFF announced in the 2015 Budget came into effect on 1 April 2016. They included:

- an increase to the In Work Tax Credit from \$60 to \$72.50 a week (by \$12.50 a week, or around 21%)
- An increase in the abatement rate for WFF tax credits, from 21.25c to 22.5c in the dollar, and a lower threshold of \$36,350
- An increase in the Minimum Family Tax Credit of \$12 a week.

The changes meant that working families earning less than \$36,350 a year in gross income received the full IWTC increase. Of course the IWTC had never been indexed and this increase was a catch-up payment only. A very small number would also receive the Minimum Family Tax Credit increase, to give them a total weekly increase of \$24.50 per week. The changes to WFF Tax Credits were expected to benefit an estimated 110,000 families with 190,000 children (Collins, 2015).

The maximum period of government-funded PPL was increased from 16 to 18 weeks, and in July, PPL was increased from a maximum of \$516.85 gross per week to a maximum of \$527.72, to reflect the movement in average weekly earnings over the previous year. The minimum payment for self-employed parents increased from \$147.50 per week to \$150.60 per week.

The increased benefit receipt obligations announced in the 2015 budget also came into force in early April. These included:

- Sole Parent Support: Beneficiaries required to reapply for their benefit every 12 months
- Most sole parents and partners of beneficiaries required to look for part-time work when their youngest child reached the age of three years (previously five years).

2016 Welfare reform reports and more legislative change

The Social Security Legislation Rewrite Bill passed its first reading on 10 May 2016. The Minister responsible (Tolley, 2016c) argued that “The rewrite is largely policy neutral. This is not about reforming the welfare system, but making the legislation user-friendly and supporting an efficient and modern service delivery.” Among the changes proposed in the Rewrite Bill were:

- Merging the Orphan’s Benefit and the Unsupported Child’s Benefit into the newly titled Supported Child’s Payment.
- Recognising that carers of children who are not their own have childcare responsibilities and therefore their work obligations should reflect that.
- Changing the name of the Emergency Benefit to the Exceptional Circumstances Benefit.
- Extending work or work preparation obligations to those receiving the Exceptional Circumstances Benefit to ensure that people with similar circumstances are treated the same.
- Allowing for both parents to apply for Sole Parent Support in cases of split care (Social Services Committee, 2016).

At a more profound level, a new guiding principle was inserted into the Act to support an investment approach for people at risk of long-term welfare dependency:

to help achieve the best possible outcome for people at risk of long-term welfare dependency (as that risk is defined in Schedule 2), MSD may identify appropriate assistance, support, and services, under this Act, for those people.

The risk of long-term welfare dependency' was defined in the Act:

(a) in relation to a person, and for the purposes of section 4(e), means the risk that the person— (i) will, for an indefinite period, not be able to obtain full-time employment; and (ii) will be likely to remain wholly or largely dependent for the person's financial support on all or part of a main benefit under this Act.

Later in May, the 2016 Budget included a \$652 million Social Investment package including initiatives:⁵

- \$199.9 million over four years, of which \$141.5 million is in contingency, plus \$3 million in 2015/16 to implement a system-wide reform of services and support for vulnerable children and young people to ensure they grow up in stable families and communities.
- \$61.2 million, of which \$19.8 million is reprioritised, towards extending the Youth Service to 18 and 19-year olds identified as needing more support because they are at-risk of long-term benefit dependency.
- \$50.3 million to reduce barriers to employment, including for people with complex health conditions who would otherwise spend a significant amount of time on benefit.

During the remainder of 2016, the pressure on housing in Auckland in particular reached crisis point.⁶ The housing crisis dominated the Government's attention, and further reforms to the areas that are the focus of this report were curtailed. However, the announcement of the name of the future Ministry for Vulnerable Children, Oranga Tamariki (MVCOT), in July 2016 caused considerable disquiet.

5 Other initiatives in the Social Investment package included: \$43 million additional funding for schools, targeted at children most at-risk of not achieving in education; \$20 million for prison Out-of-Gate reintegration services to support offenders when they are leaving the controlled routine of a prison and returning to the community; \$40 million operating and \$10 million capital in contingency to raise data quality and build infrastructure for secure data distribution; \$18 million over two years to extend the Warm Up New Zealand programme to insulate rental houses occupied by low-income tenants, particularly those with high health needs; \$18 million over four years to expand the Healthy Homes Initiative to reduce preventable illnesses among young children (newborns to 5 year-olds) living in cold, damp and unhealthy homes; \$40 million to allow Whānau Ora to support up to 2,500 more whānau and families.

6 See, for example, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11743228.

Summary

In its time in office since 2008, the National-led Government intensified the unravelling of the welfare state begun by its predecessors in the 1990s. Throughout the period under review, National constantly talked about the need to reform welfare in a series of speeches and news releases, all intended to signal to the public that there were problems that needed fixing. All these problems were framed as internal or inherent to beneficiaries themselves, particularly in terms of the need for them to take up paid work. However, the Government faced some constraints on the type and extent of reforms they could impose. First, the increasing level of public concern about high levels of poverty among beneficiary families since the 1990 benefit cuts, meant that reducing benefit payments further was not an acceptable option to the voting public. Second, the onset of the 2008 Global Financial Crisis and the series of major earthquakes in Christchurch slowed the speed at which the reforms could be introduced, as well as increasing the numbers in need of state support.

Despite these constraints, National's reforms sought primarily to reduce the number of benefit recipients, to reduce welfare spending, and to 'discourage' people from either becoming beneficiaries or remaining on benefits. It also refused to acknowledge the extent and significance of poverty.

To reduce the number of benefit recipients, National first made both accessing a benefit and continuing to receive it more difficult. This was achieved by tightening the conditions attached to benefit receipt including having to re-apply for a benefit annually, and having to fulfil additional work-testing and reporting obligations. Second, National sought to make being a beneficiary "less desirable" by seeking to demonise benefit receipt and problematise beneficiaries themselves, through a series of harsh sanctions, public criticisms of beneficiaries and their lifestyles, and by giving extensive publicity to the topic of benefit fraud.⁷ These measures were designed to 'encourage' beneficiaries off benefit and into the paid work force, albeit in the context of a low-wage economy where numbers of families with parents in paid work were clearly in poverty.

Worryingly, since 2014 many families experienced sanctions, For the year ended September 2017, MSD benefit fact sheets show that nearly 20,000 families were sanctioned, involving nearly 40,000 children, There is no official information or monitoring of the effect on the children of this cut in vital family income. Nor is there any evidence that any positive behavioural change has been achieved- just more misery as many social services attest.

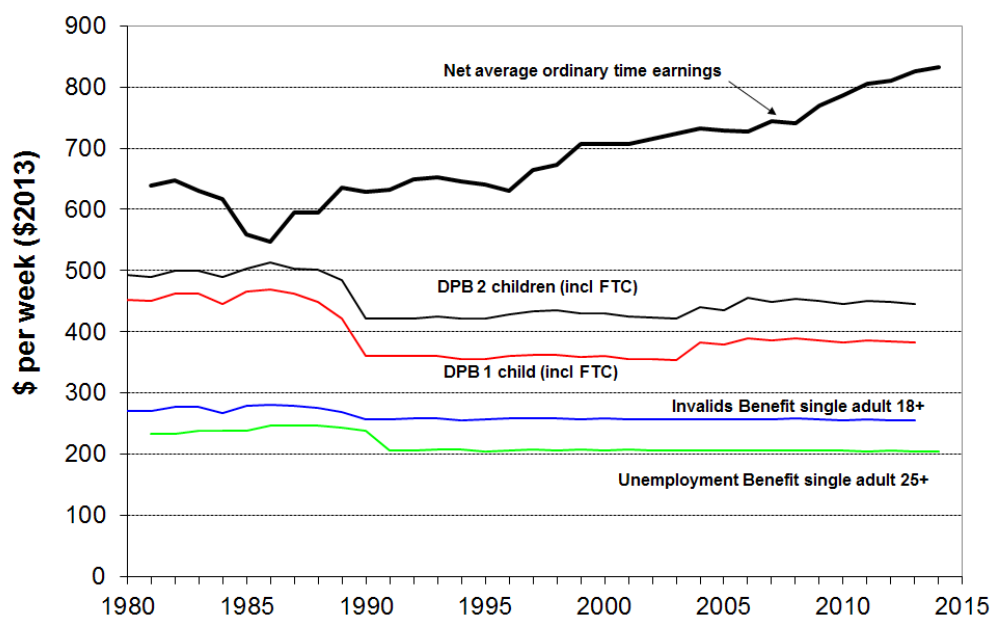
On the supply-side, National aimed to reduce the costs of welfare by moving toward private provision of public services, applying the 'social investment model'. While this was most visible in the transfer of prison management to private contractors,⁸ private for-profit and not-for-profit providers of support services also proliferated in the new environment (New Zealand Productivity Commission, 2015).

It is very clear that over this time, the standard of living experienced by beneficiaries, in relation to that of the wider community, continued to decline. The increasing gap between wages and benefit payments shown in Figure 3, plus the increasing proportion of those on income-tested benefits under the 50% poverty threshold provide clear evidence of this gap (Perry, 2017, p. 55).

7 Although there are many more cases of tax evasion than welfare fraud annually, ten times more welfare fraudsters than tax evaders are prosecuted. In most cases, a mere 5% of the tax-evaded amount is repaid, while welfare fraud is much more likely to be repaid in full. . See Marriot, L. at: <http://www.victoria.ac.nz/capital-thinking/equality>.

8 That management proved in some cases to be deeply flawed, for example, see http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11723624.

Figure 3. Income-tested benefits (plus FTC) and average earnings in real terms for selected HH types (Perry, p. 2017, p 55)



There is also deep concern regarding the outcomes for those families who are, for whatever reason, no longer in receipt of welfare benefits. Little attention was paid to this group, apart from a February 2017 publication 'Off-benefit transitions', which looked at 140,000 people who moved off a benefit from 1 July 2010 to 30 June 2011. It showed that, while 75% of those who moved off a benefit had not returned to one within two years:

- For 18 percent of people who moved off a benefit but did not return, their main activity two years later was unknown. It is possible that some of these people were being supported by their partner.
- Most people who returned to a benefit did so within 12 months.
- People who moved off a health-related benefit and into a job were less likely than others to still be in employment two years later.
- People who moved off a benefit to take up tertiary education were more likely to return to a benefit two years later than those who had found jobs.
- Those who moved off a benefit because they had been placed in detention tended to return to a benefit or were still in detention two years later. (Social Policy Evaluation and Research Unit, 2017)

Disturbingly, as an outcome of the inadequacy of core benefits, there has been a vastly expanded use of third tier supplementary assistance. This level of assistance is very complex to access, requiring scrutiny of a beneficiary's expenditure, income and assets. Some forms of it are repayable adding to the debt trap. Figure 4 shows the growth in quarterly figures for the Special Needs Grants (SNG), Advances (ADV) and Recoverable Assistance Payments (RAP).

Figure 5 shows that quarterly expenditure on hardship assistance has grown markedly since 2015. Annually, expenditure is around \$320m in 2017. Pressure from housing costs means there is often nothing left on the budget for food. Figure 6 shows that over the last five years, food has consistently remained the main reason for needing hardship assistance.

Figure 4. Quarterly hardship assistance numbers, September 2012 to September 2017 (MSD Benefit facts sheets, September 2017)

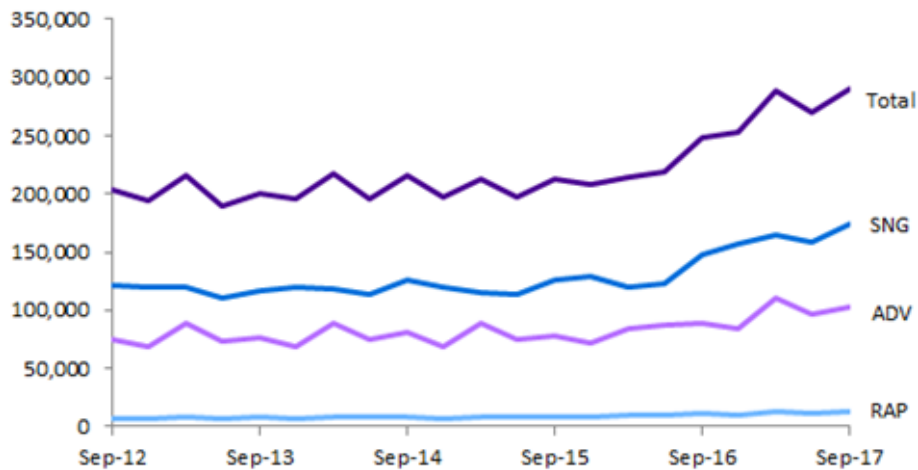


Figure 5 Amount of quarterly hardship assistance payments, September 2012 to September 2017 (MSD Benefit facts sheets, Sept 2017)

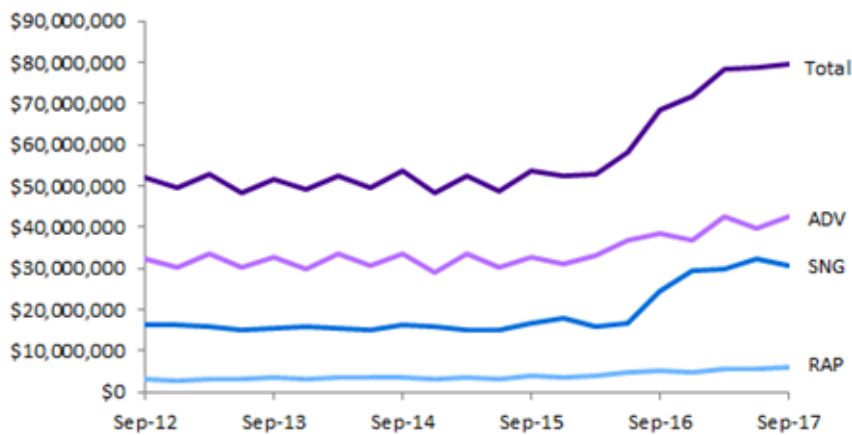
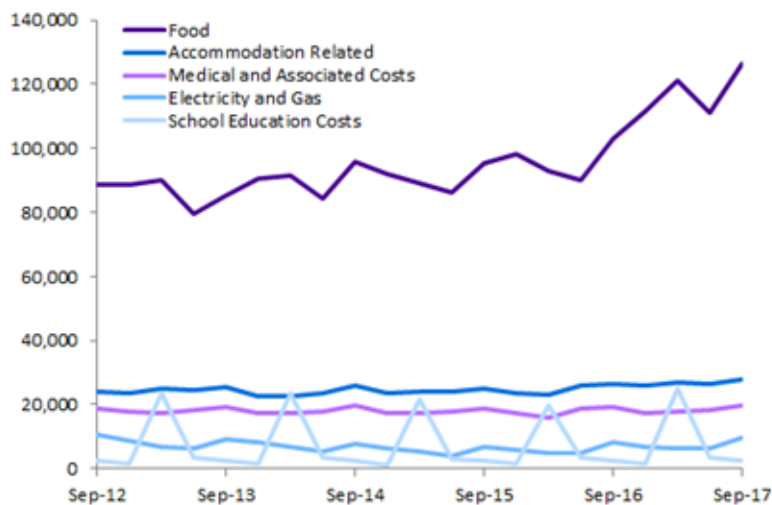


Figure 6. Reasons for accessing hardship provisions (MSD Benefit facts sheets, September 2017)

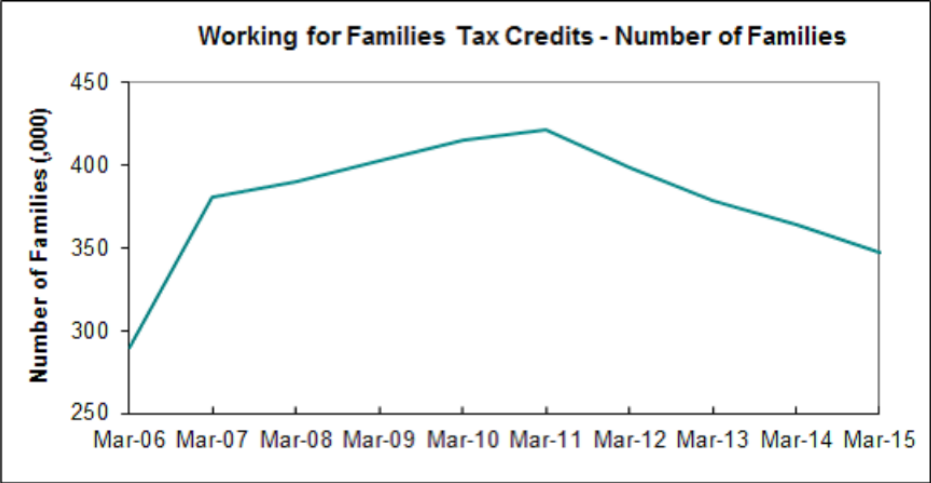


The two critical third-tier supplementary payments for help with housing costs are the Accommodation Supplement (AS) and Income-Related Rents Subsidy. The neglect of these two measures since 2004 has created more demand for other hardship provision. The expanded use of hardship and accommodation assistance imposes an additional layer of complexity and this means many miss out on rightful entitlements. The Accommodation Supplement also appears to fuel rent rises and its targeted nature adds to the poverty trap for working families (St John, 2017).

Nevertheless, rather than increase core benefits and WFF adequately, both National and Labour promised, pre-election 2017, to expand the use of the AS. Projections show a rise in accommodation spending from \$1.9 billion in 2017 to \$2.6 billion by 2021 (The Treasury, 2017).

What is also clear is that paid work provides no guarantee that families with children will be lifted out of poverty. Around 40% of children in poverty live in families supported by paid work (Perry, 2017). Expenditure on the Working for Families tax credits has steadily decreased over time, and the numbers of working families qualifying for the tax credits has decreased markedly as shown in Figure 7.

Figure 7. Working for Families Tax Credits- number of families 2006-2015 (IRD website)



The Investment Approach is yet to be fully evaluated, but as The Salvation Army (2014) noted:

The early examples of contracting for services and an investment approach in the 1980s have led to a proliferation of complex businesses and structures springing up around the social services sector. Health and safety, consultancies, proposal writers, and research are some of the ‘industries’ that have developed since these early reforms. The general response is that these reforms have led to reduced funding which subsequently leads to reduced benefit for service users. In the end, the investment approach rhetoric sounds logical. Yet, The Salvation Army submits that this approach cannot clearly capture the reality of a person with complex high needs using social services. Nor does it account for variables within the market itself e.g. housing market in Auckland and Christchurch, overseas economic pressures. It is critical that the human aspect is not lost for the social services sector during these ongoing reforms. Therefore more robust evidence is required to document the true effects of the investment approach on a person.

Others have been more critical. Rosenberg (2015, p. 34) describes the investment approach being taken by MSD as narrow, flawed and unbalanced:

Far from being an investment approach to social welfare, it focuses on costs to the Government, fails to incorporate either benefits or full costs, and makes invalid assumptions about outcomes for beneficiaries which are central to its logic. In its current form it is a recipe for reducing government expenditure.

Bill English and Paula Bennett both described social investment as being about improving well-being outcomes for disadvantaged New Zealanders, but the implementation process and the incentives in place were all about reducing fiscal spending over time. The untested assumption is that improved well-being outcomes for disadvantaged New Zealanders will flow from that reduction in spending over time. Simon Chapple (2017) reiterates the criticism:

[T]he key unifying feature is managing and incentivising the welfare system in terms of reducing the future fiscal liability ... within tightening rules of entitlement and surveillance.... The target is not about getting people into jobs and ensuring that their social outcomes are better. (Chapple, 2017)

Child poverty figures were reduced for working families with the introduction of Working for Families but the number of children in poverty remains worrying high for example Table 2 shows a range of income-related measures, before (BHC) and after housing costs (AHC). The 2016 report card would read 'some improvement but could do better', The relative incomes measures AHC show very little change since 2001 with a significant increase in the number of children under the very low 40% poverty line. Children in these families are likely to be denied the full WFF package and experience extreme income insecurity. The fate of those children in families whose benefits have been cut under the severe sanctions regime remains unmonitored and unreported.

Table 2. Numbers of poor children in New Zealand, after housing costs (AHC) 2001-2016 (Perry, 2017)

HES year	BHC			AHC				
	BHC 'anchored line (2007)'	BHC 'moving line'		AHC 'moving line'			AHC 'anchored line (2007)'	
	50% (07 ref)	50%	60%	40%	50%	60%	50% (07 ref)	60% (07 ref)
2001	225,000	120,000	250,000	115,000	215,000	310,000	285,000	380,000
2004	175,000	150,000	265,000	115,000	200,000	285,000	240,000	320,000
2008	130,000	135,000	210,000	105,000	190,000	260,000	180,000	250,000
2009	115,000	130,000	225,000	120,000	210,000	285,000	195,000	265,000
2010	105,000	135,000	240,000	130,000	210,000	295,000	185,000	265,000
2011	120,000	145,000	245,000	125,000	210,000	305,000	190,000	270,000
2012	115,000	135,000	230,000	130,000	210,000	285,000	200,000	260,000
2013	105,000	125,000	220,000	135,000	205,000	275,000	185,000	245,000
2014	-	135,000	230,000	-	210,000	280,000	180,000	240,000
2015	90,000	145,000	235,000	130,000	215,000	300,000	170,000	240,000
2016	75,000	140,000	215,000	140,000	210,000	290,000	155,000	220,000

Conclusion

This paper has illustrated how New Zealand's traditional safety net, once described as "cradle to grave", is failing to support the many families who need it most. There has been a subtle process over three decades in which New Zealand has lost sight of the original intentions of the welfare state. This has allowed a gradual unravelling to proceed regardless of which major political party has been in power. As the original Caritas report noted:

The differences between Labour's work-focused incentives and National's "unrelenting focus on work" are mostly differences of degree. But the machinery for putting both sets of plans in place has already been established. Although Labour says it prefers the "carrot" of incentives to the "stick" of benefit sanctions, all the mechanisms for sanctions were actually put in place ...by the Social Security Amendment Act 2007. (Caritas, 2008, p.4)

This report has shown how the further unravelling of the welfare net since 2008 under the last three National-led Governments has been particularly pernicious. More and more children and their families have fallen through the enlarged holes, with cumulative damage to them and society. Thus, in spite of child poverty being a stated priority of the 2014-17 government, the numbers of poor children remain stubbornly high.

The sharp end of alleviating hardship has come from an expansion of private charities, for example, KidsCan and Variety, and from foodbanks such as those run by Auckland City Mission and the Salvation Army. In 2017, these charities are at capacity and unable to cope with the demand for their services. To re-echo the Caritas report: "government departments and agencies should not be able to shift primary responsibility for the meeting of basic needs". Of course NGOs and churches will always have a role to provide compassionate hands-on help, but they cannot be the mainstay of welfare provision.

In 2008 Caritas concluded:

A lack of understanding of what an adequate welfare model should look like has resulted in decimation of the safety net that once characterised New Zealand's social security system as caring and comprehensive. (p.25)

CPAG believes that the principles and purposes section of the Social Security Act must be rewritten (see MacLennan, 2016a). Elsewhere CPAG has also written extensively about wider reforms that are needed to the design of family income support and welfare benefits, income tests, the current archaic view of relationships and the harsh reparations, prosecutions and incarceration of beneficiaries even when they have children (St John, MacLennan, Anderson and Fountain, 2014; MacLennan, 2016; Child Poverty Action Group, 2017).

Nine years after the Caritas report, the next government elected in 2017 faces the challenging but achievable goal of implementing a set of coherent policies to repair and restore the safety net. The embedded punitive, pre-1940s traditions in the social welfare system require a paradigm shift. The over-arching aim is to eliminate poverty from Aotearoa-New Zealand. But the first task is to examine the underlying values and principles that would be at the foundation of policy changes. CPAG believes these principles must include adequacy, belonging and participation, simplification, removal

of discrimination, reduction of disincentives and a welfare system that puts children first.

A nation-level re-evaluation of values would lead to constitutionalising and upholding children's rights to safety, security, good health, and equal opportunities. Legislation that will hold the Government and subsequent governments accountable for the reduction and eradication of child poverty will be most effective if the support of all parties is ensured. But if that agreement or 'Accord' is not reached, leadership and decisive action by the new Government must not be delayed.

Embodying principles of equality and inclusion can end the stigma and discrimination that many children and parents face every day. If these values are at the core, the harmful discrimination in Working for Families (WFF) will be addressed immediately. Other policy changes driven by these values include the proper indexation of benefits and tax credits to wages, as well as to living costs when wages are flat but costs are still rising. Full reform of the welfare system requires, among other changes, individual entitlement to benefits, alignment of single and married rates, and higher thresholds for earning extra income.

The task is significant and requires boldness, but the outcome will be much improved lives for the many children and their families who currently barely subsist at the margins of society, and also for the many who would otherwise fall through the holes of the frayed safety net. The gains of a fully functional welfare system will benefit all of society with a more productive, more harmonious and more just New Zealand.

At the time of publication of this report a new Labour-led Government has just been installed, providing hope for a new direction. The new government has promised to address societal concern about the direction that New Zealand has taken, almost by default. Yet the magnitude of the task ahead to stitch up the safety net after such an onslaught must not be underestimated.

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