



New Zealand Council Of  
Christian Social Services

**SUBMISSION TO THE  
WELFARE WORKING GROUP  
Long Term Benefit Dependency: The Issues Paper  
September 2010**

**Introduction**

The New Zealand Council of Christian Social Services (NZCCSS) has a long history of analysing the policies of successive governments and advocating for just and compassionate responses to the needs of ordinary New Zealanders. Through our network of social service agencies we are aware of the critical issues facing families and the impact of government policies on making lives either easier or more difficult. Many of the people who approach our social service agencies for support are surviving on low incomes, many are wholly reliant on income via benefits, some have additional income through work and some struggle to provide for their families on the minimum wage. The impacts of living in poverty are well known and we share Welfare Working Group's (WWG) concern about the limited opportunities that growing up on a benefit offers. We welcome the opportunity to comment on this first paper from the WWG: *Long term Benefit Dependency: The Issues*.

**About NZCCSS**

The New Zealand Council of Christian Social Services (NZCCSS) works for a just and compassionate society in Aotearoa/New Zealand. This work involves developing and critiquing policy and advocating for the development and maintenance of appropriate services for the relief of the vulnerable and poor members of our society.

NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support New Zealand Inc and the Methodist and Salvation Army Churches. Through their networks and approximately 639 social service organisations NZCCSS members make a significant contribution to New Zealand's social wellbeing through the delivery of services such as food banks, budget advice, , employment assistance, emergency accommodation, social work and counselling services and benefit advocacy services.

See Appendix 1 for further information on NZCCSS. Contact details for this submission are: Trevor McGlinchey, NZCCSS Executive Officer and PO Box 12-090, Thorndon, Wellington, ph 04 473 2627, [eo@nzccss.org.nz](mailto:eo@nzccss.org.nz)

## Summary of Submission

**The Principles underlying the Issues Paper are insufficient.** Affirming respect for the essential dignity of people means recognising their intrinsic human rights to wellbeing, equality and social participation. The benefit system must be built on the principle that a person's worth cannot be measured by the extent to which that person is "work ready".

**Social participation and not work-focus is the correct framework for addressing the benefit system.** A primary focus on paid employment in the benefit system is inadequate. A correct framework will focus on ensuring social participation through adequate income, education and training and support into work that is secure and adequately paid. This framework was established in the 1972 Royal Commission on Social Welfare and re-stated in the 1988 Royal Commission on Social Policy.

**Language of so-called "benefit dependency" or "welfare dependency" is negative and not sensitive to the real situations of those living on benefit incomes.** We note the WWG Issues Paper assumes this language without any attempt to explain or analyse its origin or meaning. As a society we need to be proud of the historical contribution of our benefit system in lifting people out of poverty (such as NZ Superannuation, Working for Families) and strive to rectify the areas where the system fails to achieve this.

**The analysis of the facts and evidence of what is driving the increase in numbers of people on Domestic Purposes, Sickness and Invalids Benefits is inadequate.** We invite the WWG to seriously consider and further investigate the evidence that important factors are driving the increases that do not relate to opportunities for paid employment. Among these factors are greater social awareness of mental health issues (therefore increased diagnosis), changing family structures (such as more single parent/carer households) and the damaging effect on mental health and physical health of low paid & insecure work and/or living on inadequate income on a benefit.

**The cost of our benefit system is not unsustainable** at around 7% of GDP. The failure to ensure people have the resources they need to live with dignity promotes exclusion and hinders personal development and is likely to cost New Zealand even more in the long term. Tax rates have been massively reduced for higher income earners since the 1980s. The affordability of the system relates to the willingness of New Zealanders to support those in need through the tax system.

**There is insufficient evidence that an insurance based benefit system could support people in need more effectively and at a lower cost than New Zealand's tax-based system.** Primary risks of insurance based systems are lack of coverage, insufficient coverage and inequitable access.

## Responses to the Issues Paper Questions

### Q1. What do you think the goals or objectives of the benefit system should be?

Social participation and not work-focus is the correct framework for addressing the benefit system. A primary focus on paid employment in the benefit system is inadequate. A correct framework will focus on ensuring social participation through adequate income, education and training and support into work that is secure and adequately paid. This framework was established in the 1972 Royal Commission on Social Security and re-stated in the 1988 Royal Commission on Social Policy: “access to a sufficient share of income and other resources to allow them to participate in society with genuine opportunity to achieve their potential and to live lives they find fulfilling.”

NZCCSS welcomes the fact that the WWG has explicitly acknowledged the importance of participation as well as paid work in the well-being of working age New Zealanders (Issues Summary p.2). NZCCSS supports this goal and opposed the 2007 amendments that were introduced to the Social Security legislation that changed the purposes of the Act to be “to alleviate hardship” without any reference to participation.

The Principles underlying the Issues Paper are insufficient. Affirming respect for the essential dignity of people means recognising their intrinsic human rights to wellbeing, equality and social participation. The benefit system must be built on the principle that a person’s worth cannot be measured by the extent to which that person is “work ready”. The Christian teaching that underpins the work of all our members is that all people are of equal worth and loved by God and therefore we seek to ensure that all members of society can live free of poverty and with dignity.

We note also that New Zealand’s commitment to the Universal Declaration of Human Rights which states that everyone has the right to a standard of living adequate for the health and well-being of himself and his family. (*Universal Declaration of Human Rights, Article 25(1)*).

### Q2: Are there aspects of the benefit system that are out-dated and have not kept pace with the changing nature of work and families?

There have been many changes in the nature of work and families over the past four decades and the benefit system has struggled to adjust to these changes. The more complex make-up of families (including more sole parent/carer households) and the greatly increased rate of labour force participation of women, the increased involvement of people with disabilities in the labour force, huge rises in housing costs, increased need for childcare – these are examples of the changes the benefit system must respond to.

Today it typically takes two incomes to service a mortgage, even on a very modest house. Many women have returned to the workforce to bring in sufficient income to cover basic cost of living items. What this has meant, is a growing wealth divide between partnered and unpartnered parents with dependents. For sole parents on the DPB this means a subsistence existence and condemns 74% of (mainly) women and their children to living in poverty.

A complex range of factors have driven up the cost of housing dramatically in the last ten years. Government policies which provide financial assistance to families such as Working for Families (WFF) and the benefit system (including the Accommodation Supplement) have not kept pace with the changes. It is estimated that housing cost doubled between 2000 and 2008. The financial benefit of WFF introduced in 2004 has been largely outstripped by rising housing costs.

The untargeted nature of the 20 Free ECE hours ('free' has since been dropped) has meant a significant investment in ECE which has not delivered for the most at risk but has enabled many middle income women to return to the workforce. Ironically despite the level of investment the cost of childcare is still exceptionally high in international comparison and remains a significant barrier for women returning to the workforce. In metropolitan centres and in low income neighbourhoods access to childcare remains a problem. The benefit system also fails to overcome other barriers to successfully returning to work such as access to affordable and reliable transport.

### **Q3: What aspects of the current benefit system are working well and should be retained?**

As a society we need to be proud of the historical contribution of our benefit system in lifting people out of poverty (such as NZ Superannuation, Working for Families) and strive to rectify the areas where the system fails to achieve this. New Zealand has one of the lowest rates of poverty and hardship among older people largely as a result of offering universal coverage for an old age pension set at a rate above recognised poverty lines. Similarly, the Working for Families package has lifted many working families out of poverty and the limited access that those on benefits receive to this package means that they remain in poverty.

Flexible access to hardship assistance has been a factor in saving people on benefits from the very worst impacts of poverty. Demand for hardship assistance is growing and reflects that shortfall between meeting living costs and benefit levels. It was a blow for beneficiaries when the Special Benefit was removed and replaced with the more stringent Temporary Additional Support. NZCCSS would like to see this reversed. NZCCSS is very concerned about changes to hardship assistance proposed via the new legislation but it is still not clear exactly what the changes entail. If emergency support is made more difficult to access this will only result in more families turning to community based organisations and Christian social services for help. The cuts to benefit levels in 1991 have never been returned to their pre-1991 levels and the result of this is that more people require hardship assistance.

### **Q4: What aspects of the benefit system contribute to long-term benefit receipt?**

The language of so-called "benefit dependency" or "welfare dependency" used by the WWG is negative and lacks understanding of the real situations of those living on benefit incomes. We note the WWG Issues Paper assumes this language without any attempt to explain or analyse its origin or meaning. It is not the system per se that is responsible for long term benefit receipt. The WWG needs to acknowledge that structural causes of long term benefit receipt and shift the focus away from blaming individuals to addressing the disadvantages that limit people to welfare for life. We do not agree with the premise that beneficiaries lack motivation and need incentives.

The analysis of the facts and evidence of what is driving the increase in numbers of people on Domestic Purposes, Sickness and Invalids Benefits is inadequate. We invite the WWG to seriously consider and further investigate the evidence that important factors are driving the increases that do not relate to opportunities for paid employment. Among these factors are greater social awareness of mental health issues (therefore increased diagnosis), changing family structures (such as more single parent/carer households) and the damaging effect on mental health and physical health of low paid & insecure work and/or living on inadequate income on a benefit.

There are close links between how the economy is performing, job opportunities and benefit levels. Of course more people are on benefits when the economy is in recession. Looking for work that does not exist is futile. For long term beneficiaries, many have suffered an accumulation of life shocks/disadvantages that cannot easily be addressed. Pressure to return or enter the workforce, even when the economy does pick up, is an unrealistic pathway unless many supports are put in place to help them to obtain and retain employment.

**Q5: What impacts do you see from long-term benefit receipt on individuals, families and whānau, communities and the economy?**

This question can only be answered in the context of the wider issue of poverty. We point out that the structure of the current benefit systems contributes to and perpetuates a vicious circle: people in poverty (whether they are on low wages or on benefits) have fewer opportunities and resources, which in turn translate into less education, fewer job skills and an increased chance of needing benefits as adults. The dynamic of poverty and being shut out of society feeds off itself. We are caught in a chicken & egg style argument about welfare dependency that fails to address the issue of poverty and the direct social benefits of adequate income – people are less likely to be sick or stressed, able to care & support other family members, more likely to be able to participate in training or education and better able to take up employment opportunities that become available.

The 2009 NZCCSS study *Grassroots Voices* included interviews with families and social workers and other agencies that document the complex interrelationship between income levels, family circumstances and support networks in helping people to improve their situations. The most destructive aspects of long term benefit receipt identified in that study were the toxic combination of negative social attitudes towards the poor and those on benefits, low household income, lack of support from government agencies to ensure they actually received the benefits they were entitled to and lack of self-esteem. The study concluded that access to state housing and income-related rents, good childcare, good emergency support and hardship assistance were all factors that can help families and whānau become more resilient.

**Q6: What do you see as the main barriers to employment for people on a benefit?**

There is a great deal of evidence that documents barriers to moving into paid employment for people on a benefit. In discussing “barriers to employment” we emphasise that people who qualify for benefits are receiving them for very good reasons – they are doing important caring work for dependent children, sick or disabled family or friends, or they themselves are sick or disabled.

The actual evidence from studies that have been conducted on how to assist the transfer into employment for people on the DPB shows the issues that must be addressed. We refer to two examples.

The 2002 *Evaluation of the 1999 DPB and Widows Benefit Reforms* conducted by the Ministry of Social Development and the Department of Labour found that:

- some DPB recipients who moved into employment were still on low incomes
- the financial benefits of part time employment were limited. Those who moved into part time work tended to have lower average hourly rates than those who moved into full time work. Part time workers noted that the start-up and ongoing costs of work as well as the loss of income due to debt or abatements made part time work only of marginal financial value.
- The costs of entering employment are a barrier, particularly the costs of childcare
- The level of pre-existing debt eroded the financial gains of employment (in the 1999 reforms there was a 91 day debt freeze available but many DWI staff did not know about it and uptake was low).
- Even those parents who secured full time work struggled to juggle work and parenting – “their circumstances were fragile and their resources to deal with change limited (e.g. failure in childcare, health issues, job changes).

The two main reasons for staying or returning to a benefit included concern that their children’s emotional, social and education well-being was suffering and insufficient income from work to care for their children.

The 2002 Evaluation identified the following barriers to sole parents entering and retaining employment:

- Sole parents had difficulty accessing childcare that was affordable and of high quality
- Sole parents had difficulty finding suitable employment. There were insufficient jobs with hours that allowed them to manage family responsibilities, cover the costs of employment and which were secure. Security involves permanency and stability in income, neither of which are offered in casual employment situations.
- Those with post school qualifications were able to earn more and were more likely to get and retain employment. Fear of debt, course costs, childcare and transport issues were barriers to sole parents participating in education or training.
- Fear of children being left unsupervised while sole parents were in work. Some parents felt that even children aged 14 and over, who aren’t legally required to be supervised, were still in need of it.

Conclusions of the Evaluation by DOL and MSD

- Sole parents are highly motivated and will move into suitable employment when it is available.
- Access to affordable and good quality childcare where and when it is required is essential.
- Education and training is important for accessing higher paid more secure jobs – making the shift to employment more sustainable.
- If work is low paid and casual additional on-going assistance is needed to give sole parents adequate and stable income levels.

An evaluation study of the Training Incentive Allowance (TIA) was carried out by MSD in 2004. The TIA was introduced in 1983 and “was designed to address some of the barriers faced by sole parents, including childcare, course and travel costs associated with training, and overcoming low skills levels”.<sup>1</sup> The 2004 evaluation found that ‘it made education achievable’ and that the TIA assisted DPB recipients were more likely to get work.

This confirmed the earlier 1989 evaluation and is consistent with the findings in international literature that education increases the likelihood of gaining employment. The 2004 Evaluation of TIA concluded that TIA addresses some, but not all, of the barriers to employment. The remaining barriers included:

- Ill health of children or other family members
- A mismatch between training and jobs available in the market
- An inability to find jobs that fit with family responsibilities
- A lack of work experience.

NZCCSS notes that access to the TIA has been considerably reduced since May 2009 meaning that around 4,500 fewer beneficiaries will have access to this proven means to help people transition off benefits.

**Q7: What are the barriers to employers hiring long-term beneficiaries and also investing in workplace health programmes?**

NZCCSS member organisations are themselves employers of thousands of people and are also involved in running various programmes designed to help people in difficult circumstances move into the labour force. In the wider employment market people on benefits face discrimination and lack of understanding of their circumstances in seeking employment. Schemes such as Community Max and the Job Ops that were designed to encourage employers to take on young people are examples of the active steps to improve access to employment. Employers need to be encouraged to design or adapt jobs to make them more suitable for lone parents, carers and people with mental health or physical health problems.

**Q8: Should there be more of a focus on paid work for sole parents?**

The current benefit system already has a very strong work focus with work test now having been introduced for parents of children aged 6 and over. NZCCSS sees little need for further pressure on sole parents. The evidence is that most people on the DPB do want to and actually do transition off those benefits. Sole parents are overwhelmingly female, with a high proportion of Maori and Pacific women. Caring & parenting of dependent children (particularly those aged under 14 years) is important work that needs to be supported to be done well. If the key barriers identified in the discussion of the evaluation of the DPB under Question 6 are sufficiently addressed, then it is very likely that sole parents will chose to enter paid employment.

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<sup>1</sup> TIA was also evaluated in terms of its effectiveness in helping move Invalids Beneficiaries into work and was found to be ineffective.

**Q9: Where appropriate, should there be more of a focus on paid work for people managing with a sickness or disability?**

There should not be more of a paid work focus for people with sickness or disability. As noted in the discussion under Question 4, the WWG has not done sufficient analysis of the reasons why more people are accessing sickness and disability benefits. The WWG Paper reports that New Zealand already has one of the highest rates of employment for people with disabilities in the OECD. This means that there is no need for more work focus for that group, other than to work on addressing the financial and discrimination barriers that disabled people face.

People receiving the Sickness Benefit are certified by a medical practitioner as being ill. We refer the WWG to the advice given by Treasury to the Government on the Future Focus Bill that said that the Sickness Benefit is not appropriate for work testing as it is designed for people who are ill and who will eventually return to work.

**Q10: Does the benefit system do enough to encourage personal responsibility?**

The WWG discussion of “personal responsibility” (P.46 of Detailed Issues Paper) demonstrates a highly paternalistic attitude to people receiving benefits. Any reform of welfare that focuses exclusively on the individual and their perceived limitations is misguided. In our submission to the Select Committee on the Social Assistance (New Work Tests, Incentives and Obligations) Amendment Bill NZCCSS argued that:

“the Bill fails to recognise the link between macro-economic conditions and Unemployment Benefit trends. Changes to the benefit system that seek to address perceptions that beneficiaries are ‘unmotivated’ and ‘lack a work ethic’ will therefore fail because the premises are flawed. When the economy expands and more jobs are available benefit numbers fall. When the economy contracts, as it has done with the current recession, benefit numbers increase. This is reflected in the Unemployment Benefit statistics that increased 62% between March 2009 and March 2010. Moreover 78% of people unemployed in the March quarter have been unemployed for less than a year having lost employment during the recession. “

We note that Work and Income are in the process of moving away from personalised case management of people receiving benefits and people are already reporting that this is making it harder for them to access the assistance they are entitled to and to receive the appropriate support into employment or training that they might need.

**Q11: Should the scope and nature of the current benefit categories be retained?**

**Q12: Does the complexity and structure of supplementary payments create disincentives to paid work?**

The complexity of the benefit system is a problem on many levels. Both Work and Income staff and their clients and advocates struggle to understand the entitlements and ensure that people receive

all the support that they are entitled to. There is still much evidence from our networks and research that people are not receiving their full entitlements, particularly when people go to Work and Income without advocates who can assist them in dealing with its complexities.

Any work to simplify the benefit system must begin from a position of ensuring core benefit levels are adequate to ensure participation in society. Previous work done by MSD on simplifying the system through a “single core benefit” with add-ons for different types of need, did not appear to offer any reduction in the complexity of the system.

**Q13: How can Work and Income and other delivery agencies better support people into paid work?**

Rather than focusing on providing incentives and disincentives for individuals who receive benefits via work testing and sanction regimes, the government (and Work and Income) should base their reforms on policies which create good quality employment opportunities for those most likely to be unemployed that can be sustained over time. As is the case in the UK those most likely to need social assistance are “people with no or few qualifications and skills, those with disabilities, poor mental health, those with caring responsibilities, lone parents, those from some ethnic minority groups, older workers, and in particular, young people. When in work, these same groups are more likely to be in low-paid, poor quality jobs with few opportunities for advancement”.<sup>2</sup>

The 2010 Marmot Review of Health Inequalities<sup>3</sup> found “getting people off benefits and into low paid, insecure and health damaging work is not a desirable option”. Whilst being in good employment was accepted by the Review team to be ‘protective of health’ there was an important caveat – “jobs need to be sustainable and offer a minimum level of quality, to include not only a decent living wage, but also opportunities for in-work development, the flexibility to enable people to balance work and family life, and protection from adverse working conditions”.

Additionally, there is growing evidence of the necessity for personalised holistic case management approach for clients. NZCCSS views Work and Income’s adoption of the Lean Six Sigma model as a retrogressive step. The NZCCSS *Grassroots Voices* study interviewed more than 200 families about what worked for them when they approached a Christian social service for help. The overwhelming consensus was that effective practice was achieved when they had access to the same skilled worker who understood their lives, listened to them, invited them to participate in decision making and tirelessly advocated with other agencies to get them the range of services they (and their families) needed. Work and Income’s removal of personalised case management will disempower clients and ultimately undermine the ability of the agency to wrap sufficient supports around high needs clients in a coordinated way.

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<sup>2</sup> *Fair Society, Healthy Lives The Marmot Review Executive Summary*, Strategic Review of Health Inequalities in England post 2010

<sup>3</sup> *Ibid*:20

In newly released research by MSD<sup>4</sup> on life course factors and long term benefit receipt the researchers found that “what people who experience long periods of benefit receipt is likely to be an accumulation of risk over their lifetime that combines to increase the likelihood of problems across a number of areas in adulthood.” Adverse outcomes include educational disadvantage, economic adversity, poor mental health, high rates of substance abuse and health risk behaviours. They conclude that policies focused on speeding the transition to work or improving work incentives may not be sufficient to address the multiple issues that many long term beneficiaries face.

**Q14: Are there lessons from an insurance approach for the benefit system?**

There is insufficient evidence that an insurance based benefit system could support people in need more effectively and at a lower cost than New Zealand’s tax-based system. Primary risks of insurance based systems are lack of coverage, insufficient coverage and inequitable access. NZCCSS does not support a move to change the current welfare system to an insurance type approach. The current system should be viewed as a form of social insurance in which we all contribute via our PAYE contributions. A move to an insurance model will increase inequities and further disadvantage the most vulnerable via the creation of a two tier system which provides better support for those with a paid employment history. Insurance based schemes would require compulsory employer contributions to make them effective and sustainable. NZ does not have a good history of employers accepting such responsibilities.

**Q15: Do you agree that the current benefit system is socially and economically unsustainable?**

The cost of our benefit system is not unsustainable at around 7% of GDP. The failure to ensure people have the resources they need to live with dignity promotes exclusion and hinders personal development and is likely to cost New Zealand even more in the long term. Tax rates have been massively reduced for higher income earners since the 1980s. The affordability of the system relates to the willingness of New Zealanders to support those in need through the tax system.

**Q16: Are there important issues that are in the Terms of Reference for the Welfare Working Group that you think we have not covered in this paper?**

NZCCSS shares the WWG’s concern about the detrimental consequences for the 232,000 children growing up in benefit dependent households. However we do not believe the approach to reform being suggested will lead to better long term outcomes for them. Reforms of the DPB may be necessary but only if the focus on returning single parents to work is accompanied with the dual goal of reducing child poverty.

We believe that until there is an accurate understanding of the drivers behind the increasing numbers of people on Invalids and Sickness Benefits, appropriate policy responses cannot be developed. We agree that it has taken a long time to get to where we are and it will take a long time

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<sup>4</sup> Lifecourse factors associated with time spent receiving benefit in young adulthood: A note on earlier findings, by David Welsh and Moira Wilson, prepared for Social Services Policy, MSD, July 2010:11.

to address the issues. Professor Innes Asher has suggested<sup>5</sup> that the growing number of young people moving onto Sickness and Invalid Benefits may be the result of a cohort of youngsters who grew up in poverty and during the early 1990s when benefits were cut significantly and for whom ill health has lifecourse consequences. It is worthy of further exploration. If this is the case, then the wider issues of adequate access to good housing, nutrition, health services need to be considered as part of the solution.

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<sup>5</sup> Verbal comment during Dr Asher's powerpoint presentation at the Welfare Working Group Forum June 2010.

## **APPENDIX ONE – About NZCCSS**

### **NZCCSS Mission and Role**

NZCCSS works for a just and compassionate society in Aotearoa New Zealand. We see this as a continuation of the mission of Jesus Christ. In seeking to fulfil this mission, we are committed to:

- giving priority to poor and vulnerable members of our society
- Te Tiriti O Waitangi

The key roles of NZCCSS are to represent the common interests and vision of our members at the national level; to supply information and networking opportunities to support members provide quality services; and to develop, critique and advocate for policies that will assist poor, vulnerable and disadvantaged members of society. A national Council, made up of two representatives from each denomination, governs NZCCSS. A small Secretariat team carries out the day-to-day work of the Council. This includes gathering and distributing information, research on social policy issues, and building relationships with government officials and others working in the community sector.

A Policy Group oversees the policy and research work that NZCCSS does in three key areas: child and family, impacts of poverty and exclusion, and services for older people. Each Policy Group is made up of at least two council representatives plus social services managers, academics or others with particular expertise in that area. This means that the work that NZCCSS does is well informed by what is happening in our members' communities.

Collectively, our six foundation members represent 639 organisations that operate a total of 1214 social service programmes throughout New Zealand. Our members deliver a wide range of services that cover such areas as child and family services, services for older people, food bank and emergency services, housing, budgeting, disability, addictions, community development and employment services.

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