

WELFARE DEPENDENCY:

WHATEVER HAPPENED TO PERSONAL RESPONSIBILITY?

A speech by Don Brash
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to the Orewa Rotary Club
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Introduction

Good evening ladies and gentlemen. It is a pleasure to return to Orewa.

As most of you know, I came into politics after a career in business and central banking. I did so because it is clear that this country will not provide future generations the opportunities which my generation has enjoyed unless we confront some fundamental challenges.

The Labour Government is not up to those challenges. It will create more committees, institute reviews, develop plans, establish boards, expand regulation, and maintain an expensive Beehive spin machine.

But it will duck the hard issues.

Only a National Government has the determination to make the changes that are needed.

For many generations, New Zealand has been a real land of opportunity. We need to face the fact that it will cease to be that for our children and grandchildren unless we make changes. The proof of that proposition lies in the increasing number of our citizens who vote with their feet every year, and leave this country for good.

A year ago, I set out five basic building blocks if we are to make this a land of opportunity for the coming generations.

Last year, here at Orewa, I outlined my attitude to Treaty issues. I argued that government funding for education and healthcare should be based on need not on race; that separate Maori electorates, set up in 1867 as a temporary measure for five years, should finally be abolished; that the Crown should own the foreshore and the seabed; that Maori New Zealanders should have the same rights – no more and no less – as other New Zealanders under the Resource Management Act and the Local Government Act; that we should do away with vague and undefined references to the principles of the Treaty of Waitangi in legislation and government documents; that we should accelerate the resolution of claims under the Treaty of Waitangi, and ensure that all claims are resolved, fairly, fully, and finally.

With a will, and the right government in place, all of this can be achieved, with Treaty settlements completed by 2010. National is committed to that goal.

Six months ago, I dealt with the second of these building blocks, our law and order policy. I made it clear that we would abolish parole for all repeat and violent offenders so that rapists and murderers, among others, are kept behind bars for their full court-imposed sentence. I made it clear that we would increase police numbers, require DNA testing for all people convicted of a crime, and amend the Proceeds of Crime Act

to target organised crime more effectively. I've also made it clear that we would block Labour's plans to pay compensation to some of our most vicious criminals for their "hurt feelings".

Entrenched welfare dependency

Today, I want to deal with a third key element that is holding New Zealand back – entrenched welfare dependency.

Some of you might think it a little strange that I should identify welfare as one of the critical problems at this time when the official unemployment rate is low. Businesses large and small are screaming out for staff – skilled, semi-skilled, and unskilled. Nurses, teachers, plumbers, truck-drivers, policemen, orchard workers – almost every type of worker is needed. The media is full of stories about asparagus growers having to plough in their crops because they can't find people to pick them, and orchardists having fruit rot on their trees for the same reason.

What this economic buoyancy has done, however, is to lay bare the reality of a welfare system which is no longer about providing a hand-up in times of adversity. We now have a deeply entrenched problem which has little to do with the availability of jobs and everything to do with systemic, structural, problems within the welfare system.

If ever there was a time when beneficiary numbers should have fallen to record lows, it is now. Instead, we have over 300,000 working-age adults on benefits, about 15% of the workforce¹. Around 109,000 are on the DPB, around 79,000 on the Unemployment Benefit, and some 119,000 on the Invalids' and Sickness Benefits. Add in the children of these adults and we are talking about more than the equivalent of Christchurch and Dunedin combined – the combined population of two of our largest cities, on welfare, at a time of a booming economy. The latest fiscal projections show that the numbers are projected to increase by a further 18,000 within three years.

Something has gone seriously wrong with our benefit system, and Helen Clark and the Labour Party have no idea how to fix it.

We need to remind ourselves that this country was pioneered by people of enterprise, some who crossed the Pacific in small craft, others who much later travelled half way round the globe to carve out a land of opportunity. They would be aghast if they could see what has happened to the attitudes of personal responsibility, self-reliance, and independence which have been the essence of the Kiwi character.

Six decades and many policy changes after the creation of social welfare, we have obscured and depersonalised the essential nature of the transaction which is occurring.

1 Thirty years ago, in 1975, the total number of working-age adults who looked to a state benefit to survive was just 37,000, equivalent to about 3% of the workforce. In a period which saw the workforce expand by 50%, the number of working-age people dependent on benefits has expanded nearly tenfold!

We need to remind ourselves that welfare benefits – the Unemployment Benefit, Sickness, Invalids' and Domestic Purposes Benefit – are funded from the taxes levied on those who go out to work each day, including the tens of thousands of New Zealanders who work overtime or take second jobs on very modest incomes, and who find themselves little or no better off than their beneficiary neighbour or relative as a consequence. These are New Zealanders who are trying to do the right thing, by themselves, by their families, and by other taxpayers. For them, this transfer of income to fund welfare takes place at a huge cost to their ability to save, to educate their children, to buy their own home. These are the New Zealanders Helen Clark has forgotten.

The financial cost of the four main benefits, and the various income supplements which go with them – most of which go to those on benefits – amounts to over \$5 billion a year, or about \$14 million a day. That amounts to about \$2,500 a year for every single member of the workforce.

But it is not the impact of welfare on our budget numbers that hurts us most as a community. It is what it is doing to our culture: we are sending absolutely the wrong signal to the next generation about what is needed to get ahead in life.

These perverse welfare incentives operate in parallel with those of our tax system, as I outlined in a major speech last month. Our tax system punishes enterprise and hard work, while the welfare system encourages a set of attitudes which are utterly destructive of self-reliance and self-confidence. National will fix the disincentives in the tax system by giving tax cuts to all working New Zealanders. We are now focusing on correcting the incentives in the welfare system.

Why should Kiwi families battling to get ahead in life, working hard and coping with the pressures of raising a family and paying off the mortgage, all at their own expense, have to support numerous people who are not making a similar effort, or who have substantially contributed to the unenviable situation they find themselves in?

Why should pensioners who have worked hard throughout their working lives, and who often know what real hardship means, be taxed to fund those unwilling to make similar sacrifices to get ahead in life?

What has happened to personal responsibility?

The National Party recognises only too well that being dependent on support from taxpayers is the last thing that most people want for their lives. Dependency saps self-esteem and morale. Most people want to be self-reliant and independent, not stuck on a benefit and financially dependent on friends and neighbours.

We know, too, that many beneficiaries are great parents, overcoming real problems in their past, devoting themselves to their children, and working in the community.

We will do everything we can to encourage them.

But we also know that the welfare system is destroying many lives. How can we tolerate a welfare system which allows children to grow up in a household where the parents are permanently dependent on a welfare benefit? Our welfare system is contributing to the creation of a generation of children condemned to a lifetime of deprivation, with limited education, without life skills, and without the most precious inheritance from their parents, a sense of ambition or aspiration. Nothing can be more destructive of self-esteem.

Clearly, over the last 30 years, an entrenched welfare culture has been allowed to emerge in this country, all too often accompanied by crime and family violence.

It wasn't supposed to be like this.

Alas, successive governments, usually with the very best of intentions, have created a system where many people face all the wrong incentives and can subsist on a state hand-out more or less indefinitely. We over-regulate the employment relationship, making employers wary of hiring more staff; we make it very costly to dismiss unsatisfactory staff; we make it too easy for people to shift to the Sickness Benefit, where there is no obligation to look for work²; and our tax and benefit system often makes it financially scarcely worthwhile to get off a benefit and into a job³.

Attitudes

But there is something more involved than the specifics of government policy. And I believe that that something is a profound change in attitude towards the benefit system. At its core, the current extent of welfare dependency is the fruit of some well intentioned but essentially naïve thinking. The truth is that if you offer people a free lunch, even a not very big free lunch, and you make it available every day for the rest of their lives, there will always be some who will take it.

The first Labour Prime Minister, Michael Joseph Savage, was a fiscal and moral conservative who, like me, saw welfare as a temporary hand-up not an open-ended handout. He saw all too clearly how open-ended welfare would dramatically undermine the incentives people have to work.

Early Maori leaders such as Sir Apirana Ngata were especially worried about the effect of such welfare on Maori New Zealanders. And his concerns have been amply justified.

² While unemployment has fallen, the number of sickness and invalid beneficiaries has risen steeply, more than doubling from around 50,000 at the beginning of the 1990s to around 119,000 now.
³ The Labour Government's "Working for Families" package, announced in the last Budget, was claimed to improve this situation for those trying to get off benefits. But Treasury estimated that only 2% of sole parents would move off benefits into work as a result of the package. Many people trying to move off a benefit into employment face the loss of 80 cents in the dollar, and even more in some circumstances, as they do so.

Over the last 30 years, an indefinite state hand-out has come to be seen by far too many as a birthright. We are developing a culture where, when people leave a relationship, too many take it for granted that the first port of call is not their own savings or their family but the WINZ office; on leaving a job, many don't look for another but simply head for the WINZ office. If WINZ wants them to look for work, too many make a bee-line for the doctor and use stand-over tactics so they can head back to the WINZ office with a certificate⁴. And once they have the certificate they get put onto a Sickness Benefit where no search for work is required.

Ripping off the system just seems to be taken for granted by too many people, and the majority with more traditional attitudes to self-reliance end up paying for it all.

We see many hard luck stories in the media about people who have no jobs, poor living conditions and many children. Yet our journalists rarely ask the hard questions that must be asked: how did you get into this situation, how much of it were you responsible for, and how much was bad luck?

Not having a job in today's buoyant economy is not an excuse; having many more children than you can afford to raise is not bad luck. It amazes me that, as a society, we're quite happy to force people to pay taxes but seem reluctant to ask questions about people who put themselves in the situation of living off the rest of the community. That is surely the most destructive aspect of the political correctness that Labour would engulf us in.

We have seen situations where WINZ will not even ask unemployed people whether they can read and write. How on earth can we help people if we cannot get this sort of information? An absolute minimum would be to do an audit of the literacy and numeracy of those seeking the dole.

National's approach

So what will the next National Government do about this situation?

First, let me make it absolutely clear that the National Party believes that some people in our community are entitled to indefinite taxpayer support.

It should go without saying that that group includes those 65 years of age and over who are in receipt of New Zealand Superannuation – superannuation is not part of the welfare system. The next National Government will maintain Superannuation unchanged.

⁴ We know this because the chair of the Medical Association's GP Council recently told us what was happening. Stephen Cook, "Benefit Scam – Doctors accuse WINZ", *New Zealand Herald*, 26 July 2004.

Let it also be clearly understood that the next National Government will of course provide indefinite support to all those who are physically or mentally unable to support themselves.

But commonsense suggests that something is not quite right.

Since 1975, a period over which New Zealand's population has increased by some 32%, those on the Sickness Benefit have increased by almost 500%, while those on the Invalids' Benefit have increased by almost 700%.

Since 1999, New Zealand's population has increased by 6%, while those on both the Sickness Benefit and the Invalids' Benefit have increased by 40%.

There has been a huge increase in government spending on health over the same period, and no obvious epidemic, war, or other cataclysmic event which might explain the very sharp increase in the number of those on these two benefits.

The number of times that media report that those up before the courts for some violent offence are on the Sickness Benefit, or even the Invalids' Benefit, makes me suspicious that at least some of those on these benefits could be making some contribution to their own support.

The next National Government will therefore want to confirm that those who are receiving the Sickness and Invalids' Benefits are in fact unable to contribute to their own support, and will implement a more thorough medical evaluation process for both benefits. In particular, the next National Government will work with doctors' groups to ensure consistency in the way those applying for Sickness and Invalids' Benefits are evaluated.

But what about those on the Unemployment Benefit?

The fundamental question is this: should those receiving the Unemployment Benefit be required to attend job schemes, take part in community service work, or retraining?

I say the answer must be yes.

The Labour Party pretends to agree, but puts little pressure on beneficiaries to take available employment.

There must be some mutual obligation in this: the community will help you when you need help, but you have a responsibility to make an effort to make yourself employable, or to give something back to the community by way of work.

While indefinite taxpayer support is clearly warranted for those who cannot ever be expected to support themselves, for others in receipt of a benefit that benefit should be seen as strictly temporary. There can surely be no justification at all for the average

wage earner – somebody who gets up at the crack of dawn each day to get to work on time and works hard till late in the day – paying to provide indefinite support for able-bodied, working age adults. That must stop – for the sake of the long-suffering taxpayer and for the sake of the beneficiaries themselves.

To reduce those dependent on the Unemployment Benefit, the next National Government will take two steps which will have the effect both of increasing the incentive for those on that benefit to take employment and of reducing the risk to employers in hiring them.

- First, after a period allowed for job search, ongoing taxpayer support (at the level of the Unemployment Benefit) will be conditional on the unemployed person undertaking some form of community work or approved training⁵.
- Second, to reduce the risk to employers of taking on a person who could be perceived as “risky”, we will introduce a 90-day trial period during which the parties can agree that employment can be ended without penalty⁶.

These moves would have three objectives. First, they would cause the people who are taking advantage of the weakness of the current system to move off the Unemployment Benefit and actively pursue a job. Secondly, they would give some dignity to those long-term unemployed who have limited skills and who have real difficulty in finding regular employment. And thirdly, and in many ways most important, they would break the cycle of intergenerational dependency by ensuring that children grow up in households where their parents are contributing to the community in some way.

Reforming the Domestic Purposes Benefit is clearly the most difficult issue to deal with because there are children involved. Nobody, and certainly not the National Party, wants to make children suffer for the mistakes of their parents. Nor does anybody want to see people trapped in violent and abusive relationships. One of the big arguments advanced for the DPB in the early seventies was that it would enable women and children to escape from violent situations.

While that has been a worthy goal, we have to recognise that the outcome has been wildly out of line with expectations. In 1974, there were 12,600 people on the DPB and in 1984 53,000; today there are 109,000 on that benefit – an almost 9-fold increase in just 30 years! The direct financial cost of that benefit is now more than \$1.5 billion a year, to say nothing of the other financial costs involved in subsidised housing for those receiving the DPB. From helping women out of difficult relationships

5 We will focus initially on those under 25 and on the long-term unemployed, and move on to expand these programmes when we are confident they are functioning effectively.

6 This arrangement will improve the employment prospects of “high-risk” employees – those lacking in work experience, or people who have been out of work for a lengthy period, or older people, or people with a criminal record, or new immigrants with less than perfect English language skills.

initially, the DPB has been allowed to become a career option for far too many, and a way of allowing men to avoid their responsibilities. Of the total on the DPB, more than 23,000 are women who have had at least one additional child (in some cases several more children) since signing on for the benefit.

What lies behind this growth?

If the state provides, with few questions asked, a benefit to those who leave a relationship, more people will leave relationships and rely on the state for support, and the more generous the benefit the more willing people will be to take that option.

If the state does not adequately enforce child support payments by fathers unwilling to accept responsibility for their children's financial and emotional support, then the burden will fall on taxpayers.

If the state provides that a woman on the DPB living with a man she denies is her partner can be substantially better off than the same two people can be if married, more women will choose not to get married and will look to the state for support⁷.

Ultimately, reducing the number of those on the DPB must be about finding ways of strengthening families, about educating people about the responsibilities of parenthood, about taking a tougher line on the financial responsibilities of non-custodial parents⁸ (while improving access for those non-custodial parents), and about acknowledging adoption as an acceptable option, particularly for teenage girls⁹.

We have to find a way to maintain the benefits the DPB has provided for women escaping violent or profoundly unsatisfactory relationships, and for women abandoned by men unwilling to face up to their responsibilities, while addressing the very real contribution the DPB is making to family breakdown generally.

7 A married couple, with the mother at home looking after a baby and the father earning \$12.50 an hour, will have annual income of \$23,254 after taking into account tax, family support and child tax credit. In contrast, if they had decided not to get married, with the woman on the DPB refusing to name the father of the baby and the man living in the same house as a "boarder", their household income would be \$35,780, some 53% higher.

8 Unpaid child support payments now exceed \$870 million, having substantially more than doubled from \$362 million when Labour came to office at the end of 1999.

9 NZ has the fourth highest teenage birth rate in the OECD.

The DPB has clearly contributed to many children growing up without fathers, often without even knowing who their father is¹⁰, and often without any role model of what a caring and supportive father should be like.

Of those women on the DPB, almost 40% are Maori. Nearly one third of all Maori children are now dependent on a benefit. Almost three-quarters of all Maori births are to unmarried mothers. It is idle to pretend that this is anything but a disastrous trend.

Until New Zealand has a conscious, widespread and collective change of attitude to welfare, we are going to be relegating more and more of our young, our poorest, our most vulnerable, to the scrap-heap.

In my view, we should be sending a signal that the taxpayer can not be expected to provide indefinite financial support to those who continue to bring children into the world with a blatant disregard to their own ability to look after them. Again and again I am asked at public meetings why the questioner has limited her family to two children – because that was all that she and her husband could afford to bring up – while being expected to support other women who repeatedly have children whose costs they simply pass on to the taxpayer.

The current system makes mugs of those who do the right thing and take responsibility for how they live their lives – and that is simply wrong.

I ask myself this question: should those receiving the DPB be required to work, attend job training schemes, or take part in community service schemes once their youngest child is of school age?

I say the answer must be yes.

The Labour Party answers no.

Children must grow up in an environment where their parents are actively engaged in the community.

Accordingly, the next National Government will modify the current DPB system in a number of ways.

· First, to reduce the number of women seeking the DPB who refuse to name the father of their child, there will be a strong presumption that under all but quite

10 At present, some 18,500 women in receipt of the DPB have refused to name the father of their child or children, with the result that some 32,000 children do not know who their father is.

exceptional circumstances the father must be named, with a significantly more substantial financial penalty for not naming the father than is the case now.¹¹

· Second, to make it clear that the DPB is only intended to assist a single parent until she/he is able to provide for her/his own financial support, those in receipt of the DPB will be required to undertake part-time employment, retraining or community service. That requirement will start from the time that their youngest child at the time they first receive the DPB reaches school age. Those in receipt of the DPB will have to be available for full-time employment, retraining, or community service from the time that youngest child reaches 14. I would expect intensive case-management by WINZ to assist sole parents back into the full-time workforce.¹² And yes, I've heard advocates for those on the DPB say that they would like to look after their children full time. Well, there are tens of thousands of parents in New Zealand who would love nothing better than to stay home and look after their school-age children, but they would never dream of expecting other taxpayers to carry the cost of their doing so.

· Third, to make it clear that the DPB is being provided primarily as a way of helping and nurturing children, and to recognise the mutual obligation involved in welfare, it will be a requirement that those receiving the DPB present their pre-school children for all appropriate vaccinations (unless they have a conscientious objection to vaccination, and are willing to sign a declaration to that effect) and health and dental checks, and require any school age children to attend school regularly. This requirement will apply also to those with children who are on the Unemployment, Sickness or Invalids' Benefits.

That still leaves the very difficult question of what to do in the case of people receiving the DPB who have a further child, or even further children. Under current Labour Government policy, further children entitle the parent to "start the whole process over again", with an entitlement to the DPB which potentially extends until that child reaches 18, and additional family support payments as well. In that sense, they are better off than many hard-working young couples who have their children as they can afford to – young couples who, as I have said earlier, are paying the taxes which fund the DPB in the first place. Together with a large number of New Zealanders, I feel a deep sense of discomfort with a policy framework which makes this possible.

This area is made particularly difficult by the fact that a few of those concerned appear to have made a lifestyle decision to be long-term DPB beneficiaries, having several further children – sometimes as many as five or more – often to different fathers.

11 Anecdotal evidence suggests that at present many women do not name the father of their child, suffer a relatively small financial penalty for not doing so, and then make an under-the-table arrangement with the father so that they can continue to draw the DPB while having the father of the child live as a "boarder". The incentives for doing this are clearly set out in footnote 7.

12 At the moment, the youngest child of almost half of those on the DPB is already of school age.

At the other end of the scale are women who have done their level best, but have been the victims of bad luck or unscrupulous partners. There is no simple answer.

But there should surely be no automatic entitlement to additional state assistance, or to a significantly longer period of grace from the requirement to be available for full or part-time work, for those DPB beneficiaries who have further children after they go onto the DPB. Beneficiaries should be required to show some exceptional circumstances in their particular case before this additional support is provided by the nation's taxpayers.

There is nothing wrong with needing and seeking the support of the state in time of need. That is why we have welfare. But there is something wrong with expecting, as of right, your hardworking countrymen and women to pay for you indefinitely when you are capable of supporting yourself.

National is quite frank about its intentions. We intend to transform welfare in this country: it will be a safety net only.

The present Labour Government has systematically dismantled the distinction between those in employment and those on a benefit.

Labour does not believe we should force able-bodied beneficiaries to look for jobs, or expect the unemployed to carry out community work whilst on the Unemployment Benefit. Labour seems to think that beneficiaries owe nothing in return for the money they receive courtesy of the taxes paid by hard-working New Zealanders.

Now, to give the appearance of finally doing something, they are belatedly tinkering at the margins – talking of a universal benefit, and announcing last week some moves to help people back into work. When the last National-led Government introduced the concept of reciprocal obligations in the late nineties, Labour argued that this was petty and unworkable. Labour said we shouldn't be forcing beneficiaries to look for jobs, and shouldn't be expecting the unemployed to carry out community work whilst on the Unemployment Benefit. Labour got rid of the community wage in 2001, and got rid of work-testing for the DPB in 2003.

Once again, Labour's forgotten people, those who take personal responsibility for themselves and their families, are expected to shoulder the burden.

Unless we take serious steps to change the situation, the number of children born into unsatisfactory circumstances will continue to grow. And the number of women trapped in dependency will continue to grow.

As a result of the changes which the next National Government will make, I expect that some people will move in the direction of a real job, or admit to work they are already doing. They will move off the Unemployment or the Sickness Benefit, or the DPB.

But there will be a need to provide more community work, training and budgetary advice as people are encouraged and helped back into the workforce. Breaking generations of dependency may cost more initially, but, in the longer term, I have no doubt that there will be significant financial savings – savings which can be returned to hard-working taxpayers, or invested in improved healthcare and education for all.

Our aim over 10 years is to reduce the number of those on benefits from over 300,000 to 200,000 – an enormous reduction but a level still six times that just 30 years ago. The financial benefits of achieving this would be measured in the billions of dollars.¹³

But these changes are not about the eventual financial savings that can be made as a higher portion of our society becomes self-supporting, important though these are. The real benefits that will flow from defeating dependency will be the increased self-esteem and self-confidence among beneficiaries, and most especially amongst their children. Breaking the dependency cycle should improve achievement levels in school, lead to better health outcomes, reduce crime and accidents, and begin to show up in reduced family violence.

Most of all it will help create the culture we need if we are to become a country which wants to get ahead, and which values people who want to get ahead.

The Labour Government has been sending the message to New Zealanders that they don't need to be responsible for their own or their children's well-being.

National's vision is fundamentally different. The people Helen Clark has forgotten – the real Kiwi battlers – will find that the next National Government will truly value and reward their efforts.

A healthy society is one where people take responsibility for their own, and their children's, lives, as well as showing care and compassion for their neighbours. That will always be the best way forward for New Zealand as a nation.

13 The 1996 welfare reforms in the US saw welfare caseloads fall by a spectacular 58% between 1996 and 2002, and the employment rate for never-married single mothers rose from 46% to 68% over a similar period.