



SAVING THE NEXT GENERATION FROM  
**WELFARE  
DEPENDENCY**

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## Introduction

Welfare. It is a word that has developed negative connotations. By definition, it should be a positive word, meaning health, happiness, prosperity and wellbeing in general. Instead it is a word that connotes poverty, subsistence living, dependency and disadvantage – a word that bureaucrats all but trip over themselves not to use.

It's not surprising, given the depressing state of New Zealand's welfare system. Despite the best economic conditions in a generation, welfare dependency is still predicted to rise over the next 3 years.<sup>1</sup> The numbers of people on welfare have grown beyond the wildest dreams of the architects of the Welfare State. As a consequence, it's National's view that rather than be part of a dependence solution, the welfare system has become part of the problem.

The purpose of this paper is to discuss New Zealand's welfare system and what National believes are opportunities for change. This is a discussion paper not policy. As a result of the consultation stimulated by this paper, final policy will be developed.

National knows that no one policy will deliver a more effective welfare system, but believes the following steps, which will be discussed in the remainder of this paper, are crucial:

- 1. There needs to be an acceptance that New Zealand has a welfare problem but that an escalating roll is not inevitable.**
- 2. Bring back a “work first” approach within the Ministry of Social Development. The path to work is work.**
- 3. Implement work for the dole, reintroduce and enhance work test requirements for the Unemployment and Domestic Purposes Benefits, and a capacity test for Invalids Benefits and a thorough assessment of Sickness Benefits.**
- 4. Strengthen reciprocal obligations for benefits.**
- 5. Implement time limits for benefits that support people who are fit and able to work.**
- 6. Reform the child support system to ensure all liable parents support their children.**
- 7. Preserve the gap between welfare and work. People who work must be better off than people on welfare.**
- 8. Improve methods to detect benefit fraud.**
- 9. Maintain a portfolio of different programmes for specific needs.**

## How big is the problem, and how did we get here?

The graph following depicts the growing nature and scale of New Zealand's welfare problem.

Currently, not including superannuitants, there are about 350,000<sup>2</sup> – 400,000<sup>3</sup> people of working age supported by New Zealand's welfare system. That means there are only 5 to 5.5 workers supporting each beneficiary.<sup>4</sup> When superannuation is included, the total government spend on welfare is \$13.485 billion<sup>5</sup>, over one third of all Government expenses. Further, 1.1 million people have an income sufficiently low to entitle them to a Community Services Card, some 28% of the New Zealand population.

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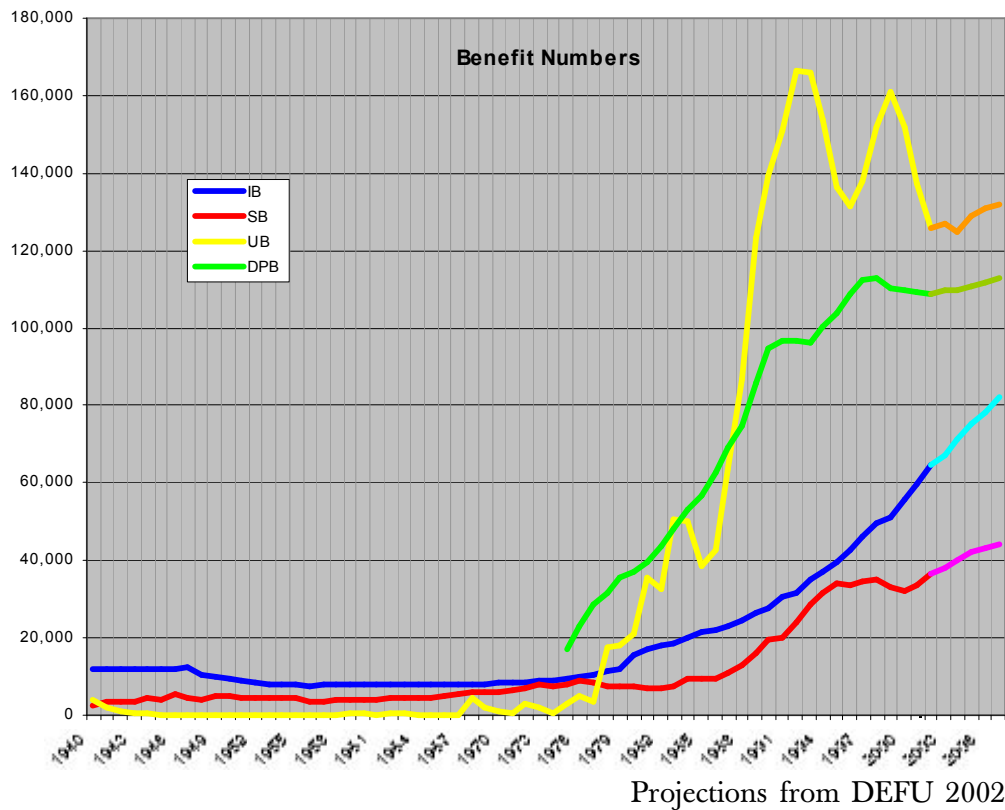
<sup>1</sup> Graphed figures from the Treasury December Economic Fiscal Update 2002

<sup>2</sup> December Economic Fiscal Update 2002

<sup>3</sup> Leading Social Development Pamphlet, Ministry of Social Development, April 2003

<sup>4</sup> 1,886,000 in workforce, HLFS Labour Force Survey December Quarter 2002 supporting 350,000 - 400,000 beneficiaries

<sup>5</sup> December Economic Fiscal Update 2002



### The evolution of New Zealand's welfare system

New Zealand's welfare system began in 1898 when the Old Age Pensions Act was passed. A steady stream of welfare legislation followed, designed to help widows, miners, the blind and families. Such legislation was designed to assist the truly needy and there remained a strong belief that public policy should not undermine the spirit of independence within the country<sup>6</sup>.

In 1938, the Labour Government brought in the Social Security Act, which provided coverage for the sick, unemployed, orphaned, and social emergencies. Support was means-tested and employment-related. Numbers were small and welfare was clearly seen as a temporary hand-up not a never-ending handout<sup>7</sup>. It is hard to believe that in 1950 there were only 12 people on the Unemployment Benefit<sup>8</sup>. This legislation formed a framework to deliver assistance to needy New Zealanders until the early 1970s.

### The road to hell is paved with good intentions...

Dramatic increases in welfare numbers can be explained by many things, such as Britain's entry to the EC, the 1970s oil shocks and radical restructuring by the Labour Government 1984–1990<sup>9</sup>. The welfare system itself changed dramatically after the 1972 Royal Commission on Social Security. The Commission concluded that a new benefit should be created for abandoned women and that the benefit (later called the Domestic Purposes Benefit) should be sufficient to allow recipients to “enjoy a standard of living much like that of the rest of the community” and thus “belong and participate”<sup>10</sup>.

<sup>6</sup> Thomson, David, *A World Without Welfare: New Zealand's Colonial Experiment*, 1998

<sup>7</sup> Sir Ron Trotter, speech, *Social Cohesion: Lessons from the Past*, Nelson 17 March 2000

<sup>8</sup> David Knutson, *Welfare Reform in New Zealand: Moving Toward a Work-based Welfare System*; August 1998

<sup>9</sup> According to David Green, *Poverty and Benefit Dependency* July 2001, p39 “The number of welfare beneficiaries of working age increased from about 101,000 to almost 319,000 between 1982 and 1996. More than 80% of the increase occurred between 1986 – 1991”.

<sup>10</sup> Royal Commission on Social Security in New Zealand, 1972 p65

Promoters of the new benefit predicted that the number needing such assistance would never be more than 20,000, including widows. At present, 109,928 receive the DPB, not including widows<sup>11</sup>.

The Ministry of Social Development reports that one in four New Zealand children<sup>12</sup> (26%) and one in six working-age New Zealanders (16.5%) are dependent on a benefit payment for their livelihood.<sup>13</sup> Maori are significantly over-represented at 30.4% of working-age people receiving a benefit<sup>14</sup>.

Moreover, official forecasts currently predict that the number on each type of benefit will continue to increase.

What is most concerning is the number of children within families languishing on welfare. Recent New Zealand research noted that by the time a sample of children born in 1993 turned seven, half had been supported by welfare at least once. Approximately one in five children in the group spent at least five of their first seven years on welfare<sup>15</sup>.

The majority of children supported by welfare are being raised by one parent. One of New Zealand's few longitudinal studies has found that sole parenthood is the strongest predictor at birth for a range of problem behaviours exhibited by teenagers<sup>16</sup>.

In total we have the equivalent of a city the size of Christchurch on welfare. Were he alive today, Michael Joseph Savage would be appalled to see the expansion of the welfare system and its dire effects on what was once a proud and independent citizenry.

### **It doesn't have to be this way...**

Since the 1970s, New Zealanders have been led to believe that a growing welfare register is inevitable regardless of the highs and lows of the economy.

Few have stopped to question why, after three years of buoyant economic conditions, with the Government claiming good employment figures, Treasury is still predicting that the total welfare roll will jump by 29,000<sup>17</sup> over the next four years.

If this is the sort of increase that is expected when times are good, it is clear that without significant welfare reform, New Zealand has no chance of reducing the burgeoning welfare roll.

Recent welfare reforms in the United States have shaken many countries out of complacency by demonstrating that a growing benefit register is not inevitable.

New Zealand too has the opportunity to change things and save the next generation from welfare dependency. Welfare reform, after all, is not about saving money but improving the wellbeing of affected citizens.

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<sup>11</sup> WINZ Fortnightly Report 7 March 2003

<sup>12</sup> Children are the biggest losers on welfare. National plans a specific paper on issues relating to the welfare of children that will deal with issues not raised here.

<sup>13</sup> Hutchison, Vivien, *An Economy of Connection ~ Some thoughts of a Knowledge Wave* March 2003;

<sup>14</sup> Ministry of Social Development, *Briefing to the Incoming Minister, Improving wellbeing for all New Zealanders* 2002

<sup>15</sup> Garry Barrett & Frances Krsinich, *Children on Welfare: Who Stays Longest?* *Social Policy Journal of New Zealand*, Issue 19 December 2002.

<sup>16</sup> Research evidence clearly establishes that on average two parents are better than one when it comes to raising children. While not attempting to debate the rights or wrongs of sole parenthood, it is obvious that two parents, all other things being equal, can provide a greater financial resource and parenting input than one.

<sup>17</sup> December Economic Fiscal Update 2002, 4 main benefits.

## National's view on welfare

“You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves.”

Rev. William J. H. Boetcker 1916 <sup>18</sup>

National has always demonstrated a combination of compassion and conservatism in its approach to welfare. Sir Robert Muldoon communicated the essence of National's approach when he said, “If someone needs help they'll get it.”<sup>19</sup> Assistance for those in genuine need has always been a fundamental principle of the National Party.

National understands that, while some welfare recipients will return to the workforce quickly, others will never work because of mental or physical disability. Some will need support for life.

For the majority it helps, however, the welfare system should offer temporary support through a genuine safety net sufficient to assist them back on their feet. As President Clinton said of welfare, it should be “a second chance, not a way of life.”<sup>20</sup>

### Characteristics of an ideal welfare system

The welfare state, in my view...in its best form is a good thing and it will be retained, with the idea of putting a floor under people – not a ceiling above which they can't rise – a floor under the population”

Sir Rob Muldoon 1967<sup>21</sup>

It is National's view that an ideal welfare system is one that offers:

- A genuine safety net - assistance but not a sentence to lifetime dependency.
- Temporary support for able-bodied people while they return to independence - not a lifestyle choice or entitlement
- Support for those who are not able to work because of disability or some kind of incapacity.
- Not just a transfer of cash, but a support network able to ask the tough questions about why someone is not independent.
- Encouragement to return to independence through work, to achievement for themselves and their families, and back to a confidence that they can depend on themselves for a better living.
- Reciprocal obligations in return for community support, i.e. an expectation that certain things will be done in return.
- Certainty and fairness.

### Welfare success is linked to other portfolios

The success of any welfare system is inextricably linked to the performance of other key government portfolios: health, education, labour, housing and finance, in particular. Failure in these portfolios has a dire follow-on effect for welfare. Failure to receive a good education, failures in parenting,

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<sup>18</sup> German-born Presbyterian clergyman, author of “Ten Cannots” which were published in half of a 1916 leaflet entitled “Lincoln on private property”.

<sup>19</sup> Gustafson, Barry; His Way: A Biography of Robert Muldoon, 2000, p99

<sup>20</sup> <http://www.cnn.com/ALLPOLITICS/1996/news/9608/22/welfare.sign/index.shtml>

<sup>21</sup> Gustafson, Barry; His Way: A Biography of Robert Muldoon, 2000, p98

failure to keep good health or other missed opportunities (more often than not first experienced in childhood) can put someone at high risk of becoming welfare dependent.

### **Economic performance matters**

The performance of New Zealand's economy has an impact on the choices New Zealanders can make within their welfare system. It makes sense that New Zealand cannot expect world-class social services if our economy continues to lag behind other like countries. Equally, as noted by the International Monetary Fund in a recent report, potential welfare reform in New Zealand could be a major contributing factor to increased growth and labour force participation within the economy<sup>22</sup>.

While many think the economic debate is solely the domain of the business community, it is clear that the benefits of economic growth extend to the least well-off. Australia is a good example. Since 1975 there has been higher GDP growth across the Tasman, so it is no surprise that Australia can afford to offer a single, unemployed person over 24 approximately \$35 a week more in the hand than the New Zealand welfare system<sup>23</sup>, and that New Zealand workers now earn 25 percent less than their Australian counterparts<sup>24</sup>.

Unless a significant number of New Zealanders make the move from welfare to work, our economy will continue to struggle and New Zealand will find it increasingly difficult to maintain the welfare state at its present level.

### **National is the only party that can make and implement difficult welfare decisions**

Any Minister of Social Welfare faces a difficult task. For every social problem, there is a maze of frequently contradictory research and opinion. Ultimately, a Minister has to make a judgment call based on the best information available at the time.

National's Social Welfare Ministers have had to make some tough calls in the past, not the least being the 1991 decision to reduce benefits, when welfare numbers and costs were rocketing, and benefit levels were pitched at a level that eroded the gap between welfare and work.

Prior to these changes, welfare growth appeared exponential. Reducing benefits had an almost immediate effect. A greater gap between work and welfare was restored, and welfare numbers fell as a result.

We can only speculate where the welfare roll would have ended up had it not been for this intervention.

Labour also understands the importance of maintaining the gap between welfare and work. This is why, despite theatrical protestations at the time, Labour has not lifted benefits to their pre-1991 level.

In 1999, National implemented further changes to extend work test requirements for the Widows Benefit and DPB. Although these changes were in place for only a short time before Labour reversed them, the Ministry of Social Development has conceded that they did have an effect on reducing beneficiary numbers<sup>25</sup>. Treasury, in its briefing to the incoming Minister in 2002, went further when it noted that reductions in the numbers on the Domestic Purposes Benefit since 1998 "coincided with the introduction of a stronger work-testing requirement"<sup>26</sup>.

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<sup>22</sup> International Monetary Fund, Washington DC. IMF Country Report No. 3/121 May 2003

<sup>23</sup> Achieving Faster Growth for New Zealand ~ New Zealand Chambers of Commerce and Industry 2003, p 6.

<sup>24</sup> Sue Bradford, supplementary question, Question 6 to the Minister of Finance, Parliament, 6 May 2003

<sup>25</sup> Green, David, Poverty and Benefit Dependency 2001

<sup>26</sup> The Treasury, Growing Higher Living Standards for New Zealanders: Briefing to the Incoming Government 2002

The early results were positive. It was clearly ideology that drove the incoming Labour Government to scrap the changes. As a result, since its time in government, Labour has made accepting a benefit easier with fewer obligations.

Tragically, opponents of reform present any attempt to shift beneficiaries into work as blaming the victim or 'beneficiary bashing'. Raising welfare issues is not about laying blame, but talking about ways that people can improve their lives. Many people are victims of circumstance, but likewise, there are many people who, with some encouragement, are able to get off welfare and back on a path to a better life.

The present Government is incapable of making the decisions necessary to make any improvement. Labour's changes to soften the welfare system have done little more than expand the welfare trap to the detriment of society's fabric. While Labour believes that a growing welfare system promotes social cohesion, National understands that by increasing social fragmentation, it actually does the opposite.

## National's plan to make a difference

### 1) New Zealanders need to accept that there is a Welfare Problem

"I do believe in the Welfare State, but the current model needs substantial reforms or large numbers of people for whom it is meant to exist will continue to be its victims."

Michael Bassett, 2002<sup>27</sup>

Long term, welfare is proven to damage the lives of many people it is supposed to help.

As one commentator noted, the basic problem is that New Zealand has "unacceptably high numbers of people receiving public benefits at a level of support insufficient to provide them with an income level sufficient to avoid living in a state of poverty"<sup>28</sup>.

Despite Labour enjoying the benefit of the best economic conditions for more than a generation, welfare dependency is still predicted to grow at an alarming rate. A buoyant economy has failed to make significant changes to the numbers enrolled for a benefit, with official predictions continuing to show an increase over the next four years. The graph following shows huge cost increases expected for the four main benefits. The cost for the Invalids Benefit, for example, is predicted to increase from \$830 million to \$1.2 billion by 2007<sup>29</sup>. The numbers on the Invalids and Sickness benefits are increasing at a rate that cannot be explained by expected rates of disability and sickness, so National will capacity test the Invalids Benefit and do a thorough assessment of Sickness Benefits to sort out those in genuine and long-term need from those falling between the gaps in the system.

Social services agencies report third and fourth generation welfare dependency. Food bank usage is up. One advocacy group reports "by any measure of child poverty, New Zealand remains near the bottom of the league of comparable countries"<sup>30</sup>.

For the fit and able to work, welfare benefits were originally structured to offer temporary support while a recipient got himself or herself into a position where he/she could be independent. The Unemployment and Sickness benefits, in particular, were not intended to support people for long periods.

For the able-bodied New Zealander, a long-term life on welfare is a subsistence life. Labour Minister John Tamihere was right when he said, "welfare as presently practised in this country

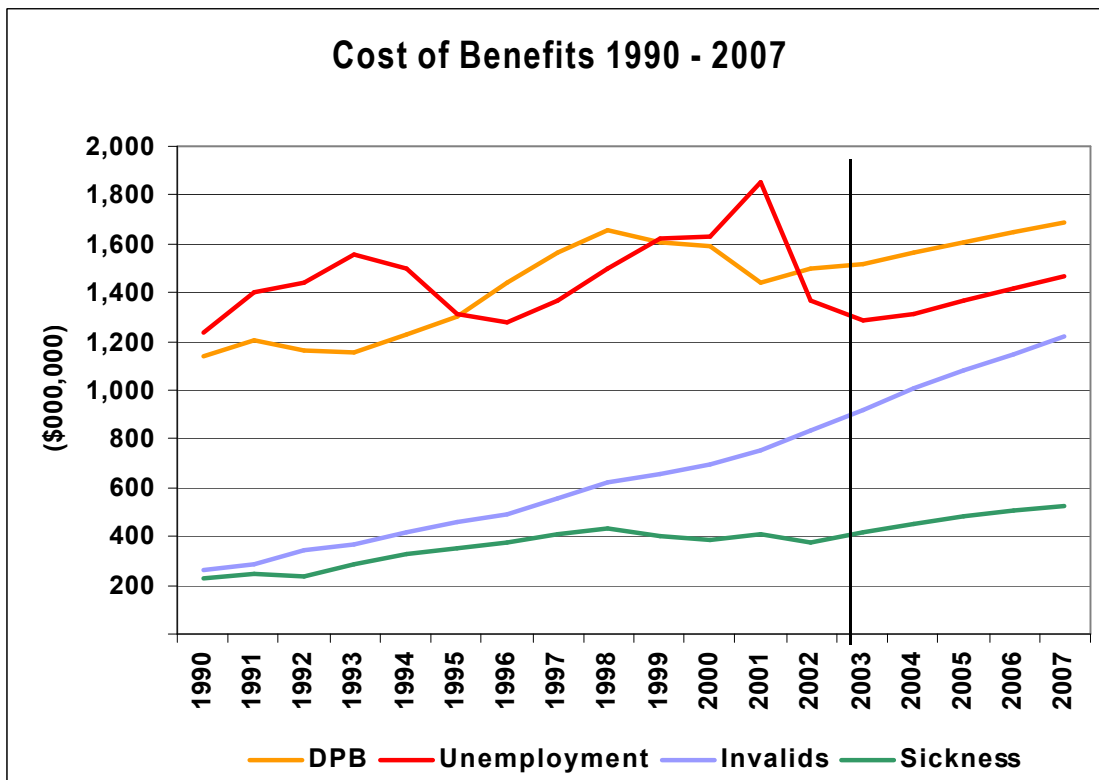
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<sup>27</sup> North & South, August 2002

<sup>28</sup> David Knutson, Welfare Reform in New Zealand: Moving Toward a Work-based Welfare System; August 1998

<sup>29</sup> Graphed figures from the Treasury December Economic Fiscal Update 2002

<sup>30</sup> Child Poverty Action Group, Our Children: The Priority for Policy (2<sup>nd</sup> Edition) 2003



Projections from DEFU 2002  
 Figures for 2001 Invalids & Sickness benefits are estimated

literally kills us with kindness.” It is no surprise that those who rely on welfare tend to have standards of living lower than those who are in full-time work.<sup>31</sup>

Research and common sense tells us this about welfare:

- Families at high risk of entering a long-term cycle of disadvantage tend to be: sole parented, transient, in poor neighborhoods, have low parental educational qualifications and/or have parents who are long-term unemployed and/or benefit dependent.<sup>32</sup> According to US research, children of beneficiaries “are twice as likely as others to require care and protection services and more than twice as likely to require youth justice services.”<sup>33</sup>
- The likelihood of leaving welfare declines the longer a person is on a benefit. After 10 years on a benefit, the chances of leaving welfare are small indeed.
- Long-term welfare receipt is associated with outcomes such as poor health, poor morale and low employment as well as outcomes for children that include poor educational attainment, poor health and early childbearing.<sup>34</sup>

<sup>31</sup> Green David, Poverty and Benefit Dependency, July 2001 and New Zealand Living Standards 2000, Ministry of Social Development.

<sup>32</sup> DSW Post Election Briefing Papers 1996 (P35)

<sup>33</sup> DSW Post Election Briefing Papers 1996 (P6)

<sup>34</sup> Ministry of Social Development, Post-election Briefing Paper 1999.

- The lower the abatement rate or the weaker the work requirements, the greater the dependence on welfare. Frequently calls are made to lower abatement rates to encourage beneficiaries back into work. Research indicates that this is likely to be of questionable assistance. In fact, some conclude that encouraging beneficiaries to take up part-time work does little to increase the hours of work or encourage people to get off welfare totally.<sup>35</sup>
- High benefit rates, low abatement rates and easier income tests will, all things being equal, result in greater dependence, more people on welfare and higher taxation.
- Countries that offer indefinite support for the unemployed, as New Zealand does, tend to have greater problems with long-term unemployment than countries that have some kind of time limit.

## 2) Work Matters: The path to work is work.

“The Frasers’ socialist creed always espoused the principle of hard work for a just reward; neither had known any other kind of life. But both were beginning to sense that too many people expected an armchair ride to prosperity”.

Tomorrow comes the song: a life of Peter Fraser,

Michael Bassett and Michael King

Rather than an armchair ride to prosperity, long-term dependence on welfare for an able-bodied New Zealander is an armchair ride to poverty.

There is a difference of opinion regarding the role that work plays within welfare reform. National sees it as integral.

**It is a core National belief that the real ticket out of welfare dependency is work – any kind of work. A job leads to another job that may lead to a career.**

**Likewise, National expects that those who are able to work will do so.**

Pontifications by Government Ministers about what constitutes a ‘real’ job fail to recognise that all jobs contribute to plugging holes in sometimes patchy CVs.

National believes that work restores pride and a work ethic that dependency can destroy. National understands that work is not just about money. It is about self-esteem, participating within the community and the pride that can be derived from self-sufficiency.

Whether a person gets their income from work or welfare makes a difference. The Ministry of Social Development’s Living Standards Study indicated that when two New Zealanders had the same income, one derived from work and one from welfare, the person supported by the state tended to have a lower standard of living.<sup>36</sup>

National endorses Treasury’s comment that, “Social assistance reforms should therefore place a high weight on getting beneficiaries into a job”<sup>37</sup>.

<sup>35</sup> James Cox, Towards Personal Independence and Prosperity 1998, Page 48

<sup>36</sup> <http://www.msd.govt.nz/publications/docs/living-standards-2000/living-standards-2000-7-8.pdf>

<sup>37</sup> The Treasury, Growing Higher Living Standards for New Zealanders: Briefing to the Incoming Government 2002 p 26

## A greater focus on job placement

“Far and away the best prize that life offers is the chance to work hard at work worth doing.”

Theodore Roosevelt<sup>38</sup>

Changes need to be made to the welfare system to provide a greater focus on job placement for beneficiaries.

Overseas research sends the strong message that when welfare systems adopt incentives that encourage people to take work, help them with the transition and then with assistance to stay in work, the welfare rolls drop<sup>39</sup>.

In New Zealand it's clear that not enough welfare resource is directed towards targeted job seeker assistance. In the 2002 post-election briefing to the Minister, the Ministry of Social Development noted, “We have estimated that case managers spend 70% of their time administering income support, with a disproportionate amount of that time spent on administering discretionary hardship assistance, leaving only 30% available to focus on employment outcomes”<sup>40</sup>. This is not good enough.

Either caseloads must be reduced or contracting out employment services to private sector and community groups should be considered. The latter option is presently having some success in Australia, where placement fees are capitated depending on assessed placement difficulty, and contract renewal is based on successful placement over time. National believes that non-government organisations should have the opportunity to play a much greater role in the assessment and placement of beneficiaries into work.

In Australia this approach, coupled with Work for the Dole schemes, has resulted in a 25% drop in unemployment benefit numbers.<sup>41</sup> Private sector groups involved include organisations like the Salvation Army, church-based organisations, local government and private work-broking services. If non-Government organisations prove successful at job placement, contracting out for other processes like benefit assessment and case management should be considered.

A work-first culture must return to the Department of Work and Income. The first question a WINZ case manager should ask an unemployed person fit and able to work is, “What steps have you taken to find a job?” The first appointment should be to talk about job opportunities before any other options are discussed.

## Is training an expensive diversion?

There is no substitute for hard work.

Thomas Edison

While Labour has criticised National's concentration on 'work-first' policies, overseas research indicates that those placed in work as opposed to training courses have higher incomes over a period of years<sup>42</sup> and that job-training programmes did not significantly increase hourly wage rates. The US Department of Labour surveyed 17,000 job-training applicants and found only a tiny return on the major investment that such programmes require.<sup>43</sup> The research clearly showed

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<sup>38</sup> Theodore Roosevelt (1858–1919), U.S. Republican president. Labor Day speech, Sept. 7, 1903, Syracuse, New York.

<sup>39</sup> Dr Merrill Matthews & Kristin Becker, *Making Welfare Work: Lessons from the best and worst state welfare programmes*, Adam Smith Institute 1997

<sup>40</sup> Briefing to the Incoming Minister, *Improving Wellbeing for all New Zealanders*. Ministry of Social Development 2002.

<sup>41</sup> Meeting of National MPs with Family and Community Services Minister Amanda Vanstone. Nov 2002

<sup>42</sup> Riedl, Brian & Rector, Robert; *Myths and Facts: Why Successful Welfare Reform Must Strengthen Work Requirements*, Heritage Foundation Background, July 12 2002.

<sup>43</sup> Bloom, Howard S et al, “The National JTPA Study,” ABT Associates prepared for the US Department of Labor, January 1993

that there were superior benefits in moving people into work as fast as possible, rather than delaying entry to the workforce through education-based programmes.

Few welfare agencies in the US now concentrate on training instead focussing on job placement assistance and on-the-job-training. New Zealand needs to do the same.

In New Zealand, findings follow the trend with one key difference. The Ministry of Social Development in its briefing to the incoming Minister advised that, “adult literacy programmes can be effective”,<sup>44</sup> and this is backed by feedback from within the sector.

New Zealand should also consider making training available only to those who have taken part in a registered work for the dole programme and therefore earned ‘training credits’ which allow beneficiaries to select certain training courses. Australian officials report that this has improved the taxpayers’ investment and success rates for trainees in many programmes.

The adage that the best work-training programme is a job is confirmed. Changes made in the past few years by Labour have set New Zealand on the opposite path.

### 3) Reinstating Work for the Dole and Work-test obligations:

“Work for the Dole used to be a dirty phrase for me,  
but it turned out to be the best thing that ever happened to me.”

Amanda Cosstic, Australia<sup>45</sup>

Rather than being a 1990’s initiative, offering work in return for welfare support is a concept centuries old. In the French Constituent Assembly in 1790 it was said “If someone has the right to say to society: Give me a living, society has the right to reply: Give me your work.”<sup>46</sup>

At the Knowledge Wave conference in February 2003, John Martin, OECD Director for Employment, Labour and Social Affairs, spoke about what characterised successful welfare programmes within OECD countries. Job-search assistance and counselling were particularly cost-effective measures which worked best when combined with increased monitoring of job seekers, enforcement of work tests and potential sanctions – a ‘carrot-and-stick’ approach<sup>47</sup>. He was adamant that the OECD experience concluded that fair sanctions played an important part in encouraging fulfillment of obligations.

In the United States similar conclusions have been drawn. Research indicates, “Only strong financial work incentives, either alone or in conjunction with work requirements, have simultaneously raised income and reduced poverty”<sup>48</sup>.

#### Work for the Dole in Australia has been very successful.

Since September 1999, unemployed people in Australia who did not commence a mutual obligation activity within six weeks of being required to do so have been referred to Work for the Dole. Job seekers who were 18 years old or over and had been receiving income support for six months are required to take part in the scheme as part of fulfilling their mutual obligation requirements. As of April 2003, over 222,000 people had been placed in projects under the work for the dole scheme in Australia. In the financial year 2002-03, the Australian Government provided \$147 million for Work for the Dole to support 55,500 places in the programme and to provide Passport to

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<sup>44</sup> Ministry of Social Development, Briefing to the incoming Minister, Improving wellbeing for all New Zealanders 2002

<sup>45</sup> <http://www.keysolutions.org.au/Successstories.htm>

<sup>46</sup> La Rochefoucault-Liancourt, January 1790, also quoted by Robert Goodwin, Principles of Welfare Reform: The OECD Experience, paper presented to the Conference on Welfare Reform Melbourne Institute November 2000.

<sup>47</sup> Martin, John, Speech to the Knowledge Wave Conference 2003

<sup>48</sup> Jeffery Grogger, Lynn Karoly and Jacob Alex Klerman; Conflicting Benefits: Trade Offs in Welfare Reform, Rand Review Fall Issue 2002 reprinted by Spotlight.

Employment services and Training Credits to eligible participants.<sup>49</sup> Work for the Dole programmes cover a wide range of activities in areas such as heritage projects, the environment, community care, tourism, sport, provision of community services, restoration and maintenance of community facilities.

### Once again New Zealand heads in the opposite direction...

Welfare reform that emphasizes putting welfare recipients to work is the most successful public policy initiative of this century.

Dr Merrill Matthews 1997<sup>50</sup>

Rather than increase work requirements like most countries within the OECD, the Labour Government continues to take New Zealand in an opposite direction. Ideology rather than logic drove Labour to remove work testing for parents on the Domestic Purposes Benefit through the Social Security (Working Toward Employment) Act 2002. Previously, once a youngest child was 6, parents were asked to be available for part-time work; then for full-time work once the youngest child was 14.

Many New Zealanders believed this was a fair expectation. Treasury strongly recommended against the removal of work testing, citing similar flawed legislation in the United States from the 1960's. While strengthened work expectations introduced by National in 1999 were only in place for less than a year, initial results had been positive. Importantly, "most of those who moved into employment and off the benefit reported that they were better off financially even though in some cases those gains took time to accrue."<sup>51</sup>

**National believes it is imperative that the previous work-testing requirements for parents supported by the Domestic Purposes Benefit be reimplemented.**

Opponents argue that requiring a parent (usually a mother) to seek work is detrimental to the children. This is not borne out by research that indicates that when mothers work outside the home, child development is largely unaffected.<sup>52</sup> Other research suggests that the higher family income from working leads to improvements in children's well-being.

### 4) Defining and strengthening reciprocal obligations

"Work in the public sphere, work as a contribution to the good of the whole, is a crucial element of one's citizenship. In fact as welfare mothers so regularly reminded me, paid work is today a central ticket to social membership."

Sharon Hays, author of *Flat Broke With Children*<sup>53</sup>

National will strengthen reciprocal obligations for certain benefits with the express aim of reducing dependency and improving wellbeing.

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<sup>49</sup> <http://www.workplace.gov.au/Workplace/ESDisplay/0,1282,a3%253D4946%2526a0%253D0%2526a1%253D537%2526a2%253D539,00.html>

<sup>50</sup> Dr Merrill Matthews & Kristin Becker, *Making Welfare Work: Lessons from the best and worst state welfare programmes*, Adam Smith Institute 1997

<sup>51</sup> Ministry of Social Development, *Evaluating the Feb 1999 Domestic Purposes Benefit Reforms. Summary of Key Findings*. February 2002.

<sup>52</sup> Such as: -Bianchi, S; *Demography* 37 401 2000

-Chase-Lansdale et al, *Mothers' transitions from Welfare to Work and the Well-being of Preschoolers and Adolescents*, *Science Magazine*, 7 March 2003 Vol 299

-Gennetian, Lisa A et al, *How Welfare and Work Policies for Parents Affect Adolescents ~ A Synthesis of Research*. [http://www.mdrc.org/Reports2002/ng\\_adolescent/ng\\_adolescentsynthesis\\_overview.htm](http://www.mdrc.org/Reports2002/ng_adolescent/ng_adolescentsynthesis_overview.htm)

-Ku, I, paper presented at the Institute for Research on Poverty, Madison WI, December 2000

-Coley, R et al, *Soc Serv Rev* 74 380 (2000)

-Peters, EH et al, *Consequences of Growing Up Poor*, Russell Sage Foundation New York 1997 pp 340-381

<sup>53</sup> Rich Barlow, *Posing tough questions about poverty*, *Boston Globe*, 22/4/03 <http://www.boston.com/dailyglobe>

We all have responsibilities to one another. Personal responsibility is not ‘me-first’ in attitude; rather it is about responsibility not just for one’s self, but for one’s family and the community. Reciprocal obligations, rather than being presented as being punitive or singling out certain New Zealanders, are actually a fact of life. Just as a taxpayer’s obligation is to pay tax, beneficiaries are already expected to take certain steps in return for support.

When receiving support from other New Zealanders (via the State), the community has an expectation that certain things will be done in return for that support.

Centrelink, the Australian equivalent of WINZ, defines mutual obligations as meaning “you are expected to actively look for work, accept suitable work offers and undertake extra activities to improve your chances of finding work”.<sup>54</sup>

National believes that government intervention into people’s lives should not be taken lightly. However, when some New Zealanders cannot be independent and need support, there is an opportunity, if not an obligation, to try to use such intervention for the long-term benefit of the recipient.

Some opponents of obligations argue that they are not necessary because most beneficiaries are motivated to get off welfare. A classic argument is that “most people want to work and will do so when given an opportunity.”<sup>55</sup> National agrees. But the fact that most beneficiaries are motivated is no reason to overlook a requirement for society to have some guidelines about what we expect from one another. Most people drive under 100kph, but that’s no reason to suggest that we don’t need a clearly stated speed limit or a Road Code. It’s the same with a welfare system.

Welfare obligations around the world vary. Most often there are obligations to undertake training, work experience or accept suitable work that is offered.

Many obligations relate to benefits that support children e.g. to preschool education choices and attendance at school, immunisation, pursuing child maintenance, in some cases the attendance at parenting courses.

More recently in the United Kingdom there has been discussion about requiring citizens convicted of criminal offences and given community service to complete such service or risk having their benefit ceased<sup>56</sup>.

Because they are at high risk of becoming long-term welfare recipients, many countries place specific obligations on teenage parents and establish specific programmes to assist them.

All welfare programmes in the United States, the UK and Australia make some use of sanctions of some kind.

### **Education obligations:**

Because education is one of the best tickets out of poverty a child can be given<sup>57</sup>, a number of countries have concluded that it makes sense to consider linking school or preschool attendance provisions to welfare programme eligibility for parents. In Canada, for example, a child must attend school in order to be included in the calculation for assistance as a dependent child<sup>58</sup>. Further research should be undertaken to establish the relevance of these sorts of provisions within New Zealand.

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<sup>54</sup> <http://www.centrelink.gov.au>

<sup>55</sup> Povey, Dennis & Vaughn Milner, Presbyterian Support. “Working Towards Honourable Employment”, Otago Daily Times, 18 March 2003

<sup>56</sup> UK Politics Criminals targeted in welfare reform, November 14 1999, [http://news.bbc.co.uk/1/hi/uk\\_politics/519793.stm](http://news.bbc.co.uk/1/hi/uk_politics/519793.stm)

<sup>57</sup> Wylie, Cathy. Competent Children: Findings and Issues from the first 7 years Paper for Ministry of Social Policy seminar, The Long Road to Knowledge: longitudinal research and social policy April 6–7, 2001.

<sup>58</sup> Ontario Works: Dependent Children September 2001

New Zealand participation rates in early childhood education for Maori and Pacific Island children have improved over the past 10 years but remain low.<sup>59</sup> It is the role of the education system to promote and support greater involvement in preschool education for New Zealand children, but the welfare system's potential role in encouraging participation should not be overlooked.

Truancy remains a problem in New Zealand. In an address on 9 April 2003 to a Littlies Lobby meeting at Parliament, Judge Andrew Beecroft noted that there seemed a clear link between disconnection from schooling and youth offending.

There is no equivalent information available in New Zealand but according to research in one US state absenteeism is greater for children on welfare than for other children<sup>60</sup>. In raising the issue of linking welfare and education systems, National is not assuming that this finding will be mirrored within New Zealand. Rather that if there is an opportunity to ensure that a greater number of children receive the education they deserve, the welfare system may be another way to encourage attendance in conjunction with a wider truancy strategy which will be detailed in National's education paper.

National does believe it is imperative that the Ministry of Social Development works with the Ministry of Education to establish the traits of serial truants. Children cannot get the best education if they do not attend school regularly or if they change schools with such regularity that there is no continuity in their education.

Provisions incorporated overseas tend to apply sanctions only when parents do not cooperate with efforts to deal with their child's truancy problems. Such provisions are worth investigating further.

#### **Immunisation & Well Child checks:**

Some countries link vaccination and child health checks to welfare eligibility. Immunisation and health checks remain the cheapest, most cost effective, medical interventions a country can fund.

Paediatricians agree that New Zealand's immunisation rate of between 70-90%<sup>61</sup> is not good enough. The Children's Commissioner, Roger McClay, goes further and describes our rates as "dangerously low".<sup>62</sup> A much higher rate is needed if diseases such as whooping cough, measles, tuberculosis and rubella are to be eradicated. The last nationwide survey, conducted in 1991, reported that only 56% of children were fully immunized at age two.<sup>63</sup> While the consensus is that rates have increased considerably since then, an updated report on this coverage is badly needed.

In the United States, many states have some kind of vaccination requirement for welfare receipt. Some have made vaccination compulsory but most have a policy where a parent is asked to make an active choice whether to immunise or not. Parents are asked to provide evidence that their child's vaccination or health check certificates are up to date. The equivalent in New Zealand would be a completed Well Child certificate.

In most overseas schemes, making a choice is compulsory; the nature of the final decision is not. Some schemes impose financial sanctions on parents who decide not to immunise. In some states of the United States, for example, eligibility for certain benefits is contingent on providing up-to-date evidence of a child's immunisation status. Parents who do not immunise their children are not

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<sup>59</sup> The Social Report 2001: Indicators of Social Well-being, Ministry of Social Policy, Wellington. Participation rates for Maori 3 year olds 58.9% compared to non-Maori 104.4% (> 100% because same child can attend more than one preschool institution), Maori 4 year olds 68.3% compared to non-Maori 112.2%.

<sup>60</sup> ABT Associates, The ABC Evaluation: Do Welfare Recipients' Children Have a School Attendance Problem? August 1999

<sup>61</sup> Email correspondence 28/3/03

<sup>62</sup> Office of the Commissioner for Children, Briefing Paper from Hon Roger McClay, Commissioner for Children to Minister for Social Services and Employment July 2002

<sup>63</sup> Answer to NZ Parliamentary question 01916 (2003), Maurice Williamson to Minister of Health, Annette King.

eligible for pre-school subsidies. Results from the United States experience, where sanctions were imposed if parents failed to get their children immunised, ranged from increasing the level of immunisation<sup>64</sup> to making no change<sup>65</sup>.

For most parents, vaccination is not a contentious issue. In New Zealand between 1 and 5%<sup>66</sup> of parents make a conscious decision not to immunise. Many other parents fall behind in their child's immunisation programme because they simply haven't got around to it.

**National believes that it is a parent's choice whether to vaccinate or not, but that it is every parent's obligation to make a choice.**

Through case managers, the welfare system can play its part in the country's wider immunisation strategy to be discussed in National's Health paper. However, as another piece in the immunisation jigsaw puzzle, a reminder, any reminder to immunise (be it from a Plunket Nurse, a GP, a Family Start caseworker, a WINZ case manager or any other government or non-government agency a parent comes into contact with) is positive. It's a reminder that could save lives.

One WINZ Office has already taken part in a programme to inform parents about child-related issues, and this has worked well. National wants this informal pilot evaluated with the view to extending it to other offices.

### **Obligations to pursue child maintenance:**

*The State is the great fictitious entity by which everyone seeks to live at the expense of everyone else.*

Frederic Bastiat (1848), *The State*.

Whether by design or accident, creating a child is one of the most significant things any adult can do in their lifetime. National believes it is the responsibility of each parent to care for and support their children to the best of their ability.

In many countries such as Canada and the United States, it is the beneficiary's obligation to pursue child maintenance i.e. she must take reasonable steps to obtain the maximum amount of child support that is owed. In New Zealand, there are currently over 31,000 children supported by welfare with no named father.<sup>67</sup> As a result over 16,900 women (and, oddly, 256 men) on the Domestic Purposes Benefit have deductions made to their benefits each week<sup>68</sup>.

Many women are unable or unwilling to name the father of a child for reasons such as incest, rape, multiple partners or violence. Some women simply decline to name the father, as opposed to genuinely not being sure of the child's parentage. Exact figures could not be sourced although an IRD official has stated that the number of women who decline to name the father for the purpose of flouting the child support system is probably around 5%<sup>69</sup>. Even if abuse is this low, this is still a significant amount of abuse.

Unless the circumstances are proven to be exceptional, parents seeking support of the State should be required to name the other liable parent so that maintenance can be pursued. Parents should also be expected to cooperate with authorities to establish the whereabouts of liable parents or establish paternity so that child support can be collected.

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<sup>64</sup> Larry Kerpelman et al, Effect of a Monetary Sanction on Immunisation Rates of Recipients of Aid to Families, *The Journal of the American Medical Association* July 5 2000.

<sup>65</sup> Cynthia Minkovitz et al, The Effect of Parental Monetary Sanctions on the Vaccination Status of Young Children: An Evaluation of Welfare Reform in Maryland, *Pediatrics and Adolescent Medicine*, Dec 1999 v 153

<sup>66</sup> Discussions with representatives of the NZ Paediatric Society during March 2003

<sup>67</sup> Parliamentary Question 5972

<sup>68</sup> PQ 03764 (2003) - Rich Katherine 5/05/2003

<sup>69</sup> Contribution by IRD Official during question time after presentation by Celia Briar and Donelle Rowe, The Benefits of the DPB, Social Policy Conference April 2003

It is a parent's responsibility to support their child emotionally and financially; it is a child's right to know his or her heritage; and it is a taxpayer's expectation that parents will support their children.

There will be legitimate instances where a mother cannot or does not want to name a father, so any requirement would need to include some exceptions and processes for dealing with those situations.

The State must have the ability to seek child support on behalf of those supported by welfare. To get the DPB, parents have to provide evidence that they have a child. This is usually through a birth certificate. Sometimes this leaves Work and Income in the bizarre situation of knowing many children's fathers (because there is a fully completed birth certificate on file) but not being able to take steps to collect the child support estimated to be at least \$11 million per annum<sup>70</sup>.

Unless there are accepted reasons why the other liable parent cannot be named, National believes it should be law to place a father's name on a birth certificate. Every child has a right to know his or her parentage and be supported financially by his/her parents.

### **Reciprocal obligations and additional support for teenage parents:**

“The welfare system is feeding this. Government, therefore, whether deliberate or not (and I can't believe that it is deliberate) is funding the ultimate destruction of a society.”

Alan Duff 1993

In 2001 there were 3622 teenage pregnancies resulting in live births and 3306 teenage pregnancies resulting in an induced abortion<sup>71</sup>.

Teenage parents are a small section of the DPB roll (over 4300 young women, about 3-4% of the DPB roll at any one time) but one that punches above its weight in terms of community concern. This concern is with good reason, considering that the total percentage of women receiving the DPB who became mothers in their teens is significant. Over 14.6% of current sole parent DPB recipients were granted the benefit as a teenage sole parent<sup>72</sup>.

It is well established that teenage childbearing has been linked to numerous negative outcomes for both mother and child<sup>73</sup>. It is clear that parents who enter the welfare trap in their teens are also less likely to get out.

While the rate has been declining, the rate of teenage pregnancy in New Zealand is still unacceptably high. There are 8.6 births per 1000 females aged 13-17 and 30 births per 1000 females aged 13 – 20. The rates are considerably higher for Maori and Pacific Island teens.<sup>74</sup> Within the OECD, New Zealand has the third highest rate of teenage pregnancy.<sup>75</sup>

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<sup>70</sup> Muriel Newman, Oral Question to Minister for Social Services and Employment 27 March 2003

<sup>71</sup> Barbara Collins, presentation at Social Policy Conference April 2003 “Missing Voices: teenage pregnancy and social policy”, School of Social and Cultural Studies, Victoria University of Wellington

<sup>72</sup> Ministry of Social Development. Briefing to the incoming Minister 1999

<sup>73</sup> Negative outcomes include low child birthweight, increased risk of infant mortality, reduced maternal educational attainment, reduced participation in paid work and increased risk of long term reliance on income support.” The Social Report 2001: Indicators of Social Well-being, Ministry of Social Policy, Wellington.

<sup>74</sup> Ministry of Social Development, Social Report 2002

<sup>75</sup> The Christchurch Press 5 February 2003 NZ's Youth Woes Top OECD List; The Social Report 2001: Indicators of Social Well-being, Ministry of Social Policy, Wellington. “With a rate of 29.5 births per 1000 women aged 15-19 in 1999, New Zealand is now third place behind the United States (51.1 per 1000), England and Wales (30.9 in 1998), Scotland 30.9 in 1998”.

## Education remains the key for teenage parents

Four years of secondary education (for teenage mothers) may avoid forty years on a government benefit and save millions of welfare dollars.

Susan Baragwanath 1997<sup>76</sup>

To receive welfare support in some US states, teen parents are required to continue their education or take part in training. While New Zealand has some education options for teenage mothers, attendance is voluntary and not consistently available throughout the country. Many young women have already become alienated from the school system well before they become pregnant meaning encouragement to return to school is additionally complex.

National thinks that making the effort to get young women to continue with some form of study is worthwhile because without an education their lifetime prospects are likely to be bleak. In New Zealand, single teenage mothers with few or no qualifications are “at high risk of long term reliance on the DPB.”<sup>77</sup> There are likely to be long-term negative consequences of a teenage birth for both mother and child, such as poor educational attainment, poverty, and welfare dependency. There is also a higher probability of abuse, neglect, criminal behavior and foster care placement.<sup>78</sup>

Young parents must be encouraged to complete their education. Compared to their childless peers, teenage parents are less likely to finish their education, less likely to get a job, more likely to live in poverty.<sup>79</sup>

Education is vital and there have long been suggestions that greater incentives need to be provided to encourage teen parents to continue with their education.<sup>80</sup> While there have been some specific schools established for the purpose of teaching young mothers, some experts argue that mainstreaming students with appropriate childcare support is better than separate services<sup>81</sup>. National does not have a fixed view on the type of education services to be provided to teenage parents, rather that there should be greater accessibility and encouragement within the welfare and education systems so that they can continue with their education.

## Free childcare while in school

Childcare is one of the biggest barriers facing young parents who want to return to school.

The British Government has piloted free childcare to teenage mothers if they undertake training or return to school.<sup>82</sup> To date, the British have had significant success in encouraging young parents to continue with their education:- 33.5% of teenage parents are now in education, training or work, compared with only 16% in 1997.<sup>83</sup>

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<sup>76</sup> Susan Baragwanath, The Education of Teenage Mothers In New Zealand: a policy vacuum and a practical example of assistance, *Social Policy Journal of New Zealand*, Issue 9 November 1997

<sup>77</sup> David Knutson, *Welfare Reform in New Zealand: Moving Toward a Work-based Welfare System*; August 1998

<sup>78</sup> *Second Chance Homes: Providing Services for Teenage Parents and Their Children*, US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, October 2000.

<sup>79</sup> Moore, K., Morrison, D., and Greene, A. (1997). *Effects on the Children Born to Adolescent Mothers*. In R. Maynard (Ed.). (1997). *Kids Having Kids: Economic Costs and Social Consequences of Teen Pregnancy*. Washington, DC: Urban Institute Press.

<sup>80</sup> Baragwanath, S, *Early Childhood Development, School Age Mums: What about their children?* August 1999

<sup>81</sup> Barbara Collins, presentation at Social Policy Conference April 2003 “Missing Voices: teenage pregnancy and social policy”, School of Social and Cultural Studies, Victoria University of Wellington

<sup>82</sup> Hall, Sarah, *Free childcare – if young mothers go back to school*. *The Guardian* February 22 2001

<sup>83</sup> <http://www.info.doh.gov.uk/doh/users.nsf/fs1?readForm>

## Discouraging a second pregnancy

The dilemma for any government is how to best offer compassionate support to teen parents while discouraging teenage pregnancy in the first place. Suggestions for policy have been made that “the school age mother should be encouraged to have only one child until she has completed her 13 years of basic formal education” and that “financial disincentives should be established or an incentive offered for students who finish their schooling without having another child”.<sup>84</sup> Some financial disincentives include not increasing welfare payments for additional children i.e. a family ‘cap’ although there is little evidence to support this as being a successful welfare reform strategy for either teenage or other parents<sup>85</sup>.

## Supported accommodation for teenage mums

An understanding of how high pressure being a parent is, particularly when a mother is on her own, has led some countries to implement certain requirements regarding the support of teenage parents. Tony Blair’s Social Exclusion Unit raised the idea of supervised, semi-independent housing for lone parents under the age of 18 years. His Government announced that all teen parents who cannot live with family or their partners should be placed in supervised semi-independent housing and not in an independent tenancy.<sup>86</sup> In New Zealand, according to Housing New Zealand, 199 single parents under the age of 20 are the sole adult occupier in a state house<sup>87</sup>.

The United Kingdom has combined increased reciprocal obligations with additional support through initiatives such as supervised accommodation. Housing pilots for teenage lone parents are underway to test how to most effectively provide support for teen parents.<sup>88</sup>

The aim of the programme is to offer a range of supported accommodation so that mothers are offered a choice. While opponents will no doubt invoke images of teen-mother slums and 1960’s hostels like Ireland’s notorious Magdalen Laundry,<sup>89</sup> the UK programme has so far had positive results.

In the United States, supported accommodation programmes have been described as “Second Chance Homes”. Once again, while the components of different states’ implementation vary, they tend to be a network of homes or integrated housing which offer support, supervision and a safe place for teen mothers who are unable to be supported by their families to live with their babies.

## 5) Time limited benefits

A recent IMF report recommended that “duration limits” on some benefits be considered by New Zealand as a way of reducing welfare dependency<sup>90</sup>.

The words ‘time limit’ in relation to welfare support can have different meanings: reducing or ending all support, providing work, or providing different types of support at the end of a defined period.

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<sup>84</sup> Baragwanath, S, Early Childhood Development, School Age Mums: What about their children? August 1999

<sup>85</sup> Jeffery Grogger, Lynn Karoly and Jacob Alex Klerman; Conflicting Benefits: Trade Offs in Welfare Reform, Rand Review Fall Issue 2002 reprinted by Spotlight.

<sup>86</sup> Teenage Pregnancy – Report by the Social Exclusion Unit 1999

<sup>87</sup> Parliamentary Question 15653

<sup>88</sup> <http://www.info.doh.gov.uk/doh/users.nsf/fs1?readForm>

<sup>89</sup> “Until the early sixties, hundreds of unmarried pregnant women were signed into Ireland’s Magdalen Laundry by their families. Run by the Sisters of Mercy, the women of the laundry endured backbreaking work and grim living conditions, on top of the shame of an out-of-wedlock pregnancy”. [www.soundprint.org/radio/display\\_show](http://www.soundprint.org/radio/display_show)

<sup>90</sup> International Monetary Fund, Washington DC. IMF Country Report No. 3/121 May 2003

Many countries have decided that welfare support from the community as represented by the state should not be boundless. Germany, for example, has a six-year time limit on the allowance for single parents. Parents are guaranteed a minimum payment for children under the age of 12 for a total of six years if maintenance is not available from the other parent.<sup>91</sup>

The issue for many is what happens at the end of the time limit? Does the State withdraw all support?

No country, including the United States, has implemented a welfare programme that endorses a total removal of all kinds of support.

The state will always maintain a role as a support provider of last resort providing some kind of social assistance i.e. food, shelter etc. The issue is what kind of assistance that is, be it food stamps, accommodation subsidies, budget management, or other support. These are all options that could be considered for New Zealand.

### **The background to time limits in the United States**

We have much to learn about the practical implementation of time limits from the United States.

In 1996, President Clinton signed legislation making good his earlier election promise to “end welfare as we know it”. It signalled a massive shift in welfare thinking. The law established a system of block grants to states that imposed five-year lifetime limits on benefits. Currently, 40 states have time limits that can result in the termination of families’ welfare benefits; 17 of those states have limits of fewer than 60 months. Once a family reaches the time limit, federal cash benefits stop but it still remains eligible for other sorts of welfare, such as food stamps, healthcare etc.

States are able to offer exemptions for extenuating circumstances. These are most common for “child only” cases (which account for about one-third of all welfare cases nationwide and are not subject to time limits in any state) and for recipients with medical problems. In many states, recipients who comply with work requirements but are unable to find jobs can receive extensions, although states define and assess compliance in different ways. As a result, some states routinely grant extensions to recipients reaching time limits, while others close most of these cases.<sup>92</sup>

As a result of the new legislation, aid was also denied to all immigrants. Individual states took different approaches to the implementation of the legislation and, while all allow exceptions to time limits, the specific policies and their implementation vary.

The programme implemented in Wisconsin is perhaps the best known. While the state’s programme was seen as tough because it demanded work from everyone who receives state aid with few exceptions, it balanced requirements by major spending on targeted assistance such as subsidised child-care, transport, training etc. As one commentator put it “no state has done more to replace welfare cheques with worker supports”.<sup>93</sup>

For those who believe that welfare reform is about cutting costs, Wisconsin is a reminder that moving significant numbers of welfare recipients into the work force has a hefty price tag. New Zealand’s own experience confirms this.

Opponents said President Clinton’s welfare initiatives would be disastrous and that poverty would skyrocket. It didn’t happen. On balance, the reforms have been a major success.

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<sup>91</sup> Social Protection in the EU Member States and the European Economic Area. Situation on 1 January 2000. European Commission.

<sup>92</sup> [http://www.mdrc.org/Reports2002/welfarelimits/wtl\\_overview.htm](http://www.mdrc.org/Reports2002/welfarelimits/wtl_overview.htm)

<sup>93</sup> Jason Deparle, Wisconsin Welfare Experiment: Easy to Say, Not Easy to Do. New York Times, October 18 1998

## Welfare rolls across the United States fell by 60%

The decrease was so dramatic it's worth stating again. By 2001, welfare rolls across the United States had fallen by nearly 60% from historic highs of 5 million families in 1994<sup>94</sup>. Most of the decrease was seen well before time limits kicked in, confirming for some commentators that the successful reduction of the welfare roll was perhaps more about sending a message that welfare support was temporary and work the ultimate goal, rather than the time limits themselves<sup>95</sup>. Three states have seen reductions of over 85%<sup>96</sup>.

An evaluation study which reviewed 67 US welfare reform programmes concluded that, "the combined effects of the reforms implemented during the 1990s have been a reduction in welfare use; an increase in employment, earnings and income; and a reduction in poverty"<sup>97</sup>.

Solo mothers who moved off welfare, compared to those that remained, had a difference in their monthly incomes of an average of 60%.<sup>98</sup> With 8.6% of US families in poverty at present, this is the lowest level in the country's history.<sup>99</sup> Child poverty rates are dramatically reduced and in particular black child poverty is at the lowest level in US history.<sup>100</sup>

According to the US Census Bureau, in 2000, 5.5 million Americans, including 3 million children, had risen out of poverty since the reforms.<sup>101</sup> While there were concerns that child hunger could increase as a result of the reforms, the number of children hungry halved. According to the US Agriculture Department in 1995, 887,000 children were classified as hungry; by 2001 that number had dropped to 467,000<sup>102</sup>.

There is no evidence that reforms caused increases in homelessness or other indicators of extreme hardship.<sup>103</sup>

## The US economy helped out

Admittedly, not all the reduction in the welfare rolls can be attributed just to the US reforms. These reductions occurred when the economy was strong. But research does indicate that the welfare reforms played a much bigger role than other influences.<sup>104</sup>

Welfare roll reduction at a time of economic buoyancy also demonstrates Labour Minister John Tamihere's point that the time for welfare reform is when the economy is performing well<sup>105</sup>.

Unfortunately, New Zealand has lost its opportunity to make significant reforms at an easier time. It is criminal that, at a time of excellent economic conditions in New Zealand, the numbers on welfare are predicted to continue to increase not decrease over the next three years.

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<sup>94</sup> Jeffery Grogger, Lynn Karoly and Jacob Alex Klerman; *Conflicting Benefits: Trade Offs in Welfare Reform*, Rand Review Fall Issue 2002 reprinted by Spotlight.

<sup>95</sup> David Ellwood, *Poverty & Policy Key Note Address*, Social Policy Conference, April 2003

<sup>96</sup> Besharov, Douglas & Germanis, Peter; "Welfare Reform: Four Years Later, The Public Interest, Summer 2000.

<sup>97</sup> Jeffery Grogger, Lynn Karoly and Jacob Alex Klerman; *Conflicting Benefits: Trade Offs in Welfare Reform*, Rand Review Fall Issue 2002 reprinted by Spotlight.

<sup>98</sup> S Danziger et al, "Does it pay to move from welfare to work?" *Journal of Policy Analysis and Management* Vol 21 no 4 2002

<sup>99</sup> Riedl, Brian & Rector, Robert; *Myths and Facts: Why Successful Welfare Reform Must Strengthen Work Requirements*, Heritage Foundation Backgrounder, July 12 2002.

<sup>100</sup> Rector, Robert; *Welfare Critics Were Wrong*; March 6 2003. [www.heritage.org](http://www.heritage.org); Riedl, Brian & Rector, Robert; *Myths and Facts: Why Successful Welfare Reform Must Strengthen Work Requirements*, Heritage Foundation Backgrounder, July 12 2002. Also Kirk Johnson, *Numbers show welfare reform has reduced poverty*, <http://www.ajc.com/opinion/content/opinion/0503/05equal.html>

<sup>101</sup> US Bureau of the Census, 2000 United States Census, *Historical Poverty Tables* 2,4,13 & 15

<sup>102</sup> Rector, Robert; *Welfare Critics Were Wrong*; March 6 2003. [www.heritage.org](http://www.heritage.org); Riedl, Brian & Rector, Robert; *Myths and Facts: Why Successful Welfare Reform Must Strengthen Work Requirements*, Heritage Foundation Backgrounder, July 12 2002.

<sup>103</sup> Besharov, Douglas & Germanis, Peter; "Welfare Reform: Four Years Later, The Public Interest, Summer 2000.

<sup>104</sup> Rector, Robert; *Welfare Critics Were Wrong*; March 6 2003. [www.heritage.org](http://www.heritage.org)

<sup>105</sup> Gray, Matthew, "Tamihere Not Silenced", *The Western Leader*, Auckland, 13 March 2003

## In the United States, the political debate supporting welfare reform has been won

Today, Americans are debating issues like whether there is enough childcare offered to welfare recipients instead of the fundamental platform of the reforms themselves.

### 6) Creating a better Child Support system

*"We cannot have taxpayers as a whole ending up having to pay large sums of money out to help families in circumstances where their fathers don't have any sense of responsibility."*

Tony Blair 1999<sup>106</sup>

National strongly believes that parents must take responsibility for their children, including financial and emotional contributions to their support.

The present child support system is in need of reform. Over 70% of liable parents make the minimum child support payment of under \$13 per week. Understandably, many perceive this as being unfair.

Collection is poor. The amount owed by liable parents to their children has now ballooned to \$617 million<sup>107</sup> compared with about \$340 million<sup>108</sup> when this Government was elected in 1999.

Liable parents get most frustrated in situations where they pay significant amounts of child support but have problems with access to their children. Better enforcement of Family Court decisions regarding access would improve the payment of child support in many situations.

As another method of encouraging payment, National believes there is merit in considering the direct payment of part of the child support to custodial parents. This is done in some US states, with the goal of giving better support to children and encouraging the payment of child support. Called "income disregards", "pass through" payments or direct payments, a portion of a liable parent's child support (either a flat rate or percentage of a regular payment) goes directly to the custodial parent to support the children. The aim is to encourage more non-payers to fulfil their child support obligations.

In one state, child support responsibilities are vigilantly enforced. Those who do not pay face alternatives such as community work, training or jail<sup>109</sup>. Tony Blair's government is considering similar initiatives including penalties such as fines, confiscation of driving licences and prison sentences<sup>110</sup>.

In New Zealand, currently the government does not have the right to collect child support on behalf of a parent who refuses to apply.<sup>111</sup> Anecdotal evidence suggests that some single parents decline to name the father of their children after making private arrangements with liable parents for amounts which tend to be more than the custodial parent's DPB deduction, but lower than the liable parent's likely child support deduction.

If parents and children are living on a state benefit, the government must have the right to seek child support from liable parents. Not to have this right on behalf of the taxpayer makes a mockery of the whole system.

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<sup>106</sup> UK Politics Criminals targeted in welfare reform, November 14 1999, [http://news.bbc.co.uk/1/hi/uk\\_politics/519793.stm](http://news.bbc.co.uk/1/hi/uk_politics/519793.stm)

<sup>107</sup> Parliamentary Question 15654, Katherine Rich to Steve Maharey, December 2002

<sup>108</sup> The Evening Post, 29 May 2002.

<sup>109</sup> Green, David, Poverty and Benefit Dependency 2001

<sup>110</sup> BBC News, Child Support Agency Reforms Delayed, 20 March 2002, [http://news.bbc.co.uk/1/hi/uk\\_politics/1883842.stm](http://news.bbc.co.uk/1/hi/uk_politics/1883842.stm)

<sup>111</sup> Parliamentary Question 1927, Dr Paul Hutchison to Hon Rick Barker

## 7) Preserving the gap between welfare and work; Work must pay.

“We’re working our butts off and earning this sort of money, then somebody doing nothing gets \$41,000. What I’m earning now, I was practically earning 20 years ago. But I still work. It really does annoy me. Why bother to work? It doesn’t make any sense.”

David Thomson, Worker, Dunedin 2003<sup>112</sup>

It is a simple principle: New Zealanders must be better off in work than on welfare. Working extra hours must result in more dollars to spend. In short, work must pay. This is not just an issue of wage rates. Childcare remains the biggest barrier for many women returning to work and this too must be addressed if larger numbers of women are to take up work.

At present the amount a person receives on a benefit is 30% - 47% of the average wage, before other benefits and supplements. Anecdotal examples of working New Zealanders earning considerably less than the country’s top paid beneficiaries will continue to be seen as being unfair to working families<sup>113</sup>.

Obviously, the tax system plays a major part in ensuring that people are better off in work than on welfare. This, and a further discussion about abatement rates will be dealt with as part of National’s taxation discussion paper.

## 8) Improving the detection of benefit fraud

It is National’s view that within the Ministry of Social Development benefit fraud detection is hampered by a lack of skills, technology and an ideological opposition to utilising the private sector for investigation purposes. Discussions with WINZ case managers point to a greater problem of benefit fraud than conviction rates indicate.

Sanctions have been watered down to the point of being ineffective. Case managers do not impose sanctions for job seeker agreement breaches for fear of being rebuked, leaving them powerless to ensure that reciprocal obligations are fulfilled.

## 9) Different programmes for different needs

We are all New Zealanders but our needs are not the same. Within the welfare system, people supported by the community have different needs and diverse characteristics. An ideal welfare system has to reflect those differences where appropriate.

Maori and Pacific Island peoples are over-represented in many negative social indicators. However, with regard to Maori, there is some debate about whether ethnicity is a causal factor. In the briefing to the incoming Minister, the Ministry of Social Development noted, “Ethnicity in itself explains very little observed social variation”.<sup>114</sup> This supports research conducted by Simon Chapple that suggests that things like age, education, and literacy levels explain more about differences in income and employment than ethnicity.<sup>115</sup>

### National believes that services should be needs based

We support the delivery of welfare services tailored to the different needs of groups throughout the country be they delivered through national, local, iwi, church-based, urban Maori, Pacific Island or other organisational groups.

**Katherine Rich**  
**National Social Services Spokeswoman**

<sup>112</sup> Richardson, Amie, “Struggling families upset at high benefit rates”, Sunday Star Times, 12 January 2003

<sup>113</sup> Richardson, Amie, “Struggling families upset at high benefit rates”, Sunday Star Times, 12 January 2003; Richardson, Amie, “Solo parent of one paid \$41,000 a year in benefits”, Sunday Star Times, 12 January 2003

<sup>114</sup> Ministry of Social Development, Briefing to the Incoming Minister, Improving wellbeing for all New Zealanders 2002

<sup>115</sup> Chapple, Simon, Maori Socio-economic disparity, Ministry of Social Development, 1999

## 10) Tell Us What You Think

The National Party Caucus wants to hear your views about welfare dependency and would welcome your submission. Please send your comments to Katherine Rich, Parliament Buildings, Wellington, [katherine.rich@national.org.nz](mailto:katherine.rich@national.org.nz) or visit [www.national.org.nz](http://www.national.org.nz) for an online version.

To assist in your submission, we are particularly interested in learning your views on the following general issues, but we would encourage you to give us your views on any other aspects of welfare dependency you feel are important:

1. Do you think welfare dependency in New Zealand is?  
 Not a problem at all  
 A minor problem of some but not great concern  
 A significant problem  
 A serious threat to New Zealand's future
  
2. Do you think National should implement work for the dole?  
 Yes  
 No
  
3. Should National re-introduce work testing for some benefits, and should this be full-time or part-time?

	Full-Time	Part-Time	No Work Testing
Unemployment Benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Domestic Purposes Benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sickness Benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Invalids Benefit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
  
4. Do you think it is fair to reduce a benefit if the recipient's children do not regularly attend school?  
 Yes  
 No
  
5. To ensure appropriate responsibility for a child's upbringing is shared by both parents, should it be illegal not to name the father on a birth certificate, except in cases of rape, incest etc?  
 Yes  
 No
  
6. Would you support the government providing free childcare to teenage mothers so they can undertake training or return to school?  
 Yes  
 No

7. Do you support there being a maximum time limit for receiving welfare benefits, and if so which of the following time limits would you most support?
- No
- Yes – 6 months
- Yes – 1 year
- Yes – 3 years
- Yes – 5 years
- Yes – 8 years
8. Do you agree that, as a rule, people should not be able to earn more on welfare than they could working full-time?
- Yes
- No
9. At what age do you think people should generally be able to receive welfare?
- 16
- 18
- 20
- 21
- Other - please specify
10. Within any welfare system, what do you think are the primary obligations of the State?
11. Within any welfare system, what do you think are the primary obligations of beneficiaries?
12. Any general comments you would like to make on National's welfare discussion paper or welfare generally?

**Freepost to: Katherine Rich MP**  
**PO Box 18-888**  
**Wellington**

Can we  post,  fax or  e-mail you information?

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Email: \_\_\_\_\_

Fax: \_\_\_\_\_

