

WHERE TO FOR WELFARE?

RECENT AND PROPOSED
WELFARE REFORMS IN NEW ZEALAND



Background paper and forum proceedings can be found at:
<http://www.auckland.ac.nz/publicpolicygroup>

The Reforms: What, When, Why

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'Working New Zealand'

Package includes:

1. Working for Families
2. Changes to hardship provisions
3. New service delivery model
4. Proposed Single Benefit

Rationale: *“work in paid employment offers the best opportunity for people to achieve social and economic well being”* and *“the priority for people of working age should be to find and retain work”* (NZ Govt 2006: 17)

Incorporates some *incentives* to work with many *disincentives* to discourage reliance on income support

1. 'Working for Families'

A family assistance package announced as part of Budget 2004

Rationale: to 'make work pay'.

- Increases to *Family Support* (a per-week, per-child, tax credit based on family income) from 2005
- *In-Work Payment* (paid to families who work minimum number of hours per week to 'top up' wages) replaced Child Tax Credit in 2006
- Improvements to *childcare subsidies* and the *Accommodation Supplement*

1. 'Working for Families'

In summary:

- Represents a first step in redistributing money in favour of low income working families with children
- But also highlights the government's preference to increase tax-based assistance through pre-existing Family Assistance tax credits instead of increasing welfare benefits
- This means our poorest families have gained little

2. Changes to hardship provisions

Special Benefit replaced with Temporary Additional Support in 2005

- Designed to provide less financial support and to be less flexible than the Special Benefit

Rationale:

- Increased numbers of people applying
- Part of broader shift from discretionary to rules-based system

In summary:

- Likely to impact negatively on low income families, particularly those on benefits, and cancel out gains made with Family Support

3. 'Work-focused' service delivery model

The Social Security Amendment Bill embeds a new service delivery model trialled from June 2005. This:

- Streamlined delivery, improved assessment & accessed, freed up manager's time
- Focused on employment *outcomes* rather than reason why on benefit
- Made employment-related assistance available to all beneficiaries
- Enhanced services for Sickness and Invalid's beneficiaries

3. 'Work-focused' service delivery model

The Bill makes some positive adjustments but also allows for increased coercion

EG:

- Pre-benefit (work-related) activity requirement for the unemployed from Sept 2007
- Planning and activity requirements for Sickness and Invalid's beneficiaries from Sept 2007
- Enhanced requirements for beneficiaries who already work-tested

3. 'Work-focused' service delivery model

The Bill also amends the Social Security Act's main purpose. It is now to:

“increase opportunities for people to participate in the labour market, where work is an appropriate outcome”, while also continuing to “provide social and financial support for people with temporary or long-term barriers to work” (NZ Govt 2006: 1).

This moves the idea of social security away from being a safety net for New Zealanders in need to one where ‘the right job at the right time, right from the start’ is the key priority

3. 'Work-focused' service delivery model

Rationale:

- “we have one of the lowest unemployment rates in the OECD but have one in eight households has no-one in work” (Benson-Pope 2006: 59).
- Predicted cost-savings from reducing numbers of Sickness and Invalid's beneficiaries

In summary:

- SSA Bill makes some minor improvements to the current welfare system e.g. reduced stand-downs and more consistent residential qualifications
- But also introduces a greater degree of coercion and significantly amends the *purpose* of social security in NZ

4. Single core benefit

It is proposed that in 2009-10 all existing working age benefits will be replaced with a Single Benefit, with add-ons for accommodation/disability etc

Rationale:

- an opportunity to “rewire the system around outcomes” (Maharey 2005: 5), rather than categories as to why people cannot work
- ‘simplify’ system by making rule-based

In summary:

- Unlikely to simplify much but could potentially reduce Invalid’s Benefit from current level

Final summary

The 'Working New Zealand' package:

- Prioritises paid work over all other forms of social and economic activity
- Makes distinctions between 'deserving' (working) and 'undeserving' (benefit reliant) New Zealanders that are likely to exacerbate hardship, poverty, income inequality
- Represents a significant shift away from original intentions of welfare state with little or no discussion about:
 - Benefit adequacy and sufficiency
 - Wage adequacy and sufficiency
- Blurs traditional policy differences between major parties regarding welfare