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Working for Families

A Benefit Cut

Why working for families is not
working for poor families

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Changes that are bad for beneficiaries

- Special benefit (discretionary) replaced by temporary additional support (rules based)
- Child tax credit (no work requirement) replaced by In Work payment

How does Special Benefit work?

- Chargeable Income
 - Less
- Allowable Costs - *Costs included are discretionary*
 - Leaves
- Disposable Income
 - Less
- Standard Cost – *Calculated on benefit type*
 - Gives a **surplus** or **deficiency**
 - Capped at 30% of allowable costs
 - Discretion to exceed cap

How does TAS work?

- Chargeable Income
 - Less
- Allowable Costs – *at fixed maximums from list of approved costs*
- *No discretion to include other costs*
 - Leaves
- Disposable Income
 - Less
- Standard Cost – *Calculated on benefit type*
 - Gives a **surplus** or **deficiency**
 - Capped at 25% or 30% of benefit type
 - No discretion

Are people really worse off?

James and Mary

James and Mary apply for the unemployment benefit after 1 April 2006. They are married with two children aged 12 and 17. They live in Auckland and pay \$275 per week in rent.

The *Working For Families* Package means their total income will be \$15.87 less per week that it would have been in April 2004.

Income Type	2004	2006
Unemployment Benefit	\$308.00	\$289.84
Accommodation Supplement	\$131.00	\$130.00
Family Support	\$92.00	\$132.00
Hardship Assistance	\$ 36.71	\$ 0.00
Total Income	\$567.71	\$551.84

Are people really worse off?

Kathy

Kathy has a 16 year old daughter and 11 year old son. Kathy applies for the Widow's benefit after 1 April 2006 when her husband Kevin dies in a car accident. She lives in Wellington and pays \$260 per week in rent. The Working For Families Package will mean Kathy's total income will be \$15.93 less per week than it would have been in April 2004.

Income Type	2004	2006
Widows Benefit	\$271.77	\$249.10
Accommodation Supplement	\$100.00	\$126.00
Family Support	\$ 92.00	\$132.00
Hardship Assistance	\$ 59.26	\$ 0.00
Total Income	\$523.03	\$507.10

What has the impact been?

- People lost their eligibility for Special Benefit through a brief improvement in circumstances
- Many people previously eligible to get assistance due to discretionary inclusion of costs now unavailable
- Advocates encounter many people in hardship that no longer qualify for extra assistance due to the nature of their costs

Social Security Amendment Bill

- Inserts new title and purpose
- Changes to application process and administration
- Aligns eligibility criteria
- Enhances work expectations

Purpose from 1938 Act

- An Act to provide for the payment of superannuation benefits and of other designed to safeguard the people of New Zealand from disabilities arising from age, sickness, widowhood, orphanhood, unemployment, or other exceptional conditions; to provide a system whereby medical and hospital treatment will be made available to persons requiring such treatment; and, further, to provide such other benefits as may be necessary to maintain and promote the health and general welfare of the community

[14 September 1938]

Clause 23

The purpose of this Act is:

- a) To enable the provision of financial and other support as appropriate
 - i. To help people to support themselves and their dependants while not in paid employment; and
 - ii. To help people to find or retain paid employment; and
 - iii. To help people for whom work may not currently be appropriate because of sickness, injury, disability, or caring responsibilities, to support themselves and their dependants
- b) To enable in certain circumstances the provision of financial support to people to help alleviate hardship

Clause 23

- c) To ensure that the financial support referred to in paragraphs (a) and (b) is provided to people taking into account
 - i. That where appropriate they should use the resources available to them before seeking financial support under this Act; and
 - ii. Any financial support that they are eligible for or already receive, otherwise than under this Act, from publicly funded sources:
- d) To impose administrative and, where appropriate, work-related requirements on people seeking or receiving financial support under this Act.

Clause 23

Every person exercising or performing a function, duty or power under this Act must have regard to the following general principles:

- a) Work in paid employment offers the best opportunity for people to achieve social and economic well-being:
- b) The priority for people of working age should be to find and retain work:
- c) People for whom work may not currently be an appropriate outcome should be assisted to plan for work in the future and develop employment-focused skills:
- d) People for whom work is not appropriate should be supported in accordance with this Act.

Applications that can be granted under the existing law and under the amending bill

Entitlement under the existing law and High Court decisions in *Scoble* and *Taylor*

Situation 1

Error cannot be shown but there was an application either in writing or verbally that disclosed entitlement or possible entitlement to a benefit.

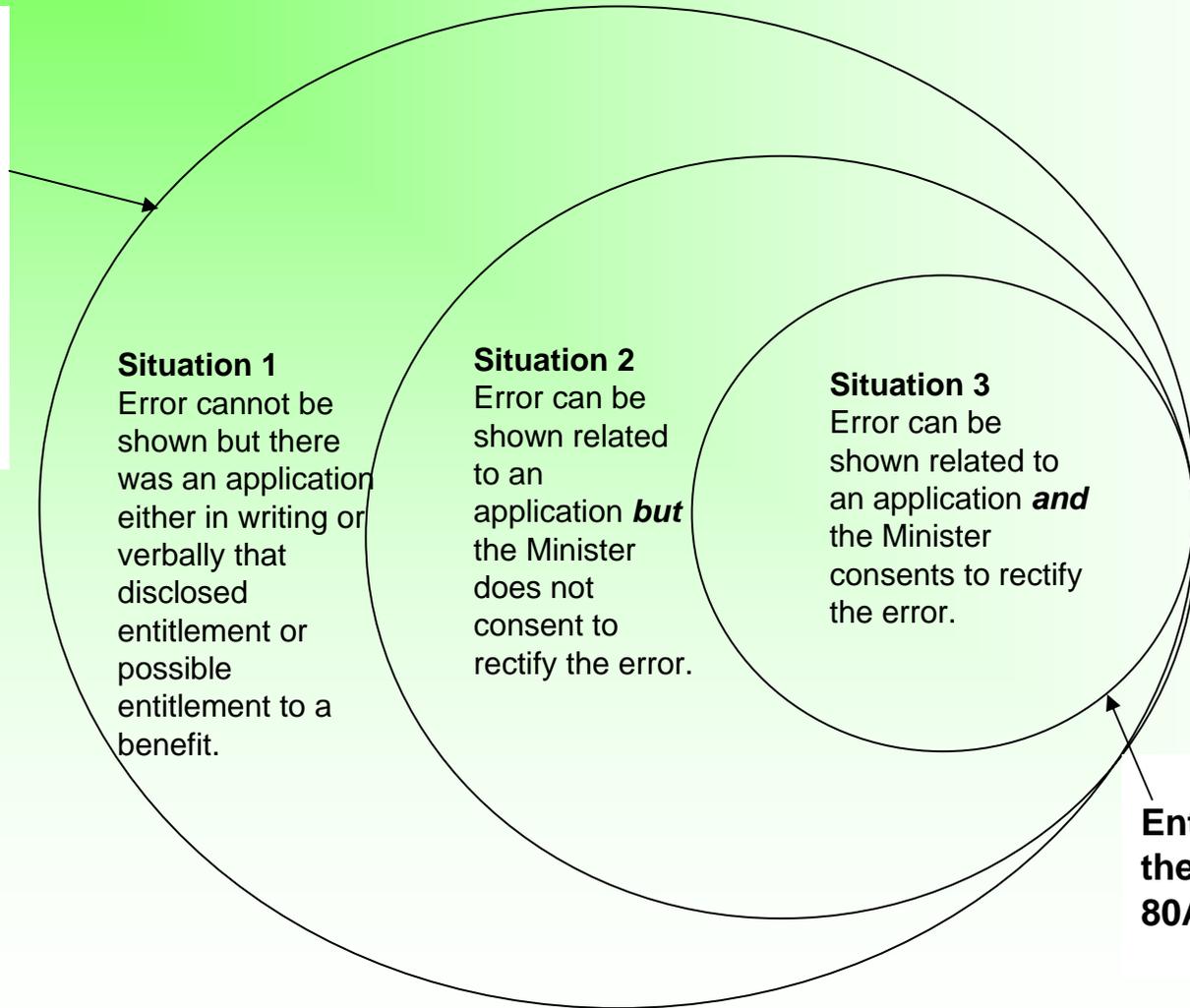
Situation 2

Error can be shown related to an application **but** the Minister does not consent to rectify the error.

Situation 3

Error can be shown related to an application **and** the Minister consents to rectify the error.

Entitlement under the new section 80AA



Aligning Eligibility Criteria

- Max income stand-down 2 weeks
- 2 year residential qualification
- Allowing people caring for children not their own to receive DPB
- Extending the rule allowing 8 weeks benefit continuation for sole parents who cease caring for a child due to sudden change in circumstances to all benefit types
- Extending the exemption from stand-down to all benefit types for people who have entered refuge following a relationship breakdown

Enhancing Work Expectations

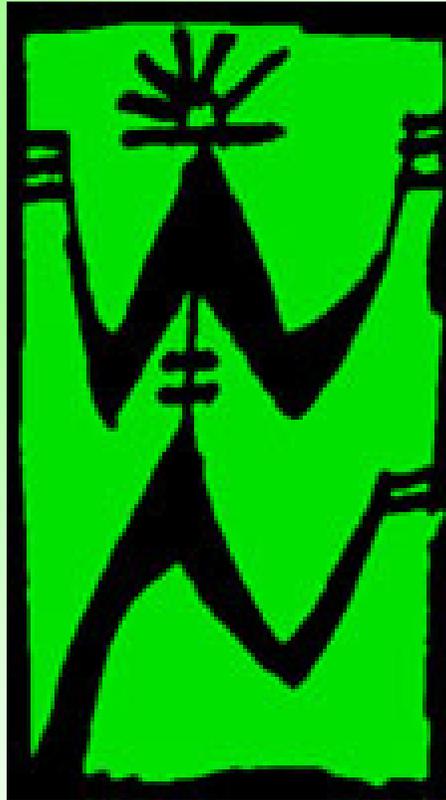
- Compulsory pre-benefit activity
- Increased work-testing for those in receipt of Unemployment benefit “Job Search Service”
- Work-test in respect to a 7 day week
- Independent Youth Benefit clients to be in school or on course up to 40 hours per week
- Require all non-work-tested beneficiaries to participate in Personal Development and Employment Planning process as required i.e. Invalids and Sickness as well as DPB

Who will this affect?

- Already stressing Invalid and Sickness beneficiaries
- 20% of participants in pre-benefit course do not go on to apply for benefit
- Job Search Service – extra compliance requirements and pressure on unemployed

What other changes?

- All benefits to be paid weekly
- Intention to remove annual assessment of income on Invalids and DPB
- Intention to work-test Unemployment beneficiaries aged over 60
- Power to set regulations defining income
- Power to set regulations defining deprivation of income



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