



7 July 2015

Submission to the Social Services Committee
on the Support for Children in Hardship Bill

Auckland Action Against Poverty (AAAP) wishes two of our representatives to appear before the committee to speak to this submission:

Sarah Thompson

021 157 0878

contact@aaap.org.nz

Janet McAllister

021 2034 254

Auckland Action Against Poverty was set up in late 2010 to take action and to carry out advocacy and education work on issues of unemployment, welfare and poverty. We work directly with over 1000 beneficiaries, low-waged workers and others who seek our advocacy – the very people whom this Bill aims to assist. We have around 400 members and have support from a number of student, union, community and church organisations. We are united in our belief that everyone should have the right to participate fully in the economy and society, and that unemployed people and beneficiaries should be treated fairly and with respect by the state agencies with whom they deal.

The group has discussed this submission and formally mandated us to present it to the Select Committee.

Contact details for the purposes of this submission are:

Sarah Thompson

021 157 0878

86 Princes Street, Onehunga, Auckland, 1061

contact@aaap.org.nz

Introduction

Within this omnibus Bill, Auckland Action Against Poverty (AAAP) supports:

- **the increase in financial support** to many families in need (Clause 10).

AAAP opposes:

- **the application of part-time work test obligations** on beneficiary parents of children aged under 5 (Clause 4);
- **the increase in hours in the definition of part-time work** from 15 hours to 20 hours average a week (Clause 4);
- **the introduction of an annual benefit expiry and reapplication process** for people getting Sole Parent Support (implemented by regulation).

It is disappointing that a small step in the right direction in terms of slowing the increase of the poverty rate has been marred by an increase in often unworkable obligations imposed on beneficiaries and by yet another erosion of their rights to make decisions for their families. This Bill is a cynical piece of legislation: the casual observer, rightly concerned about poverty in New Zealand, is supposed to be mollified by headlines proclaiming the Bill's new money for children in hardship while many beneficiaries will be left to deal with the stress generated by the Bill's petty obligations, and its lack of any actual plan to deal with hardship. As such, the Bill is misnamed; it should be called the "Ad Hoc Financial Support and Emotional Stress for Children in Hardship Bill". Overall, this package appears to be more about helping the government meet its ideologically driven Better Public Service target of "reducing long-term dependence" than helping children in hardship. The \$20.11 average benefit increase per week per family is welcome, as is the \$8 average In Work Tax Credit increase per week per family, but on their own these are insufficient to address the hardship of New Zealand children.¹

Increase in financial support

The additional financial support to those families receiving benefits and Working for Families Tax Credits is welcomed as a small step in the right direction. However, while the promise of \$25 a week extra for beneficiaries with children sounds good, it is too little, too late, and in many cases meaningless. If the Government was serious about dealing with poverty, it would lift benefits now to the same levels as superannuation, and index them to the average wage instead of inflation. This would include raising core benefits for people without children, many of whom live with unemployment, sickness and disability in stark circumstances. They need help too. As it is, those people lucky enough to get a rise will have to wait nearly a year. On top of that, for many recipients, much of the extra income will disappear again through the loss of the TAS (Temporary Additional Support) supplement.

¹¹ Figures extrapolated from Tables 8 & 9 pages 28 & 29, [Regulatory Impact Statement](#)

This Bill is neither a complete or sufficient response to the chronic, systemic hardship New Zealanders face. As the Regulatory Impact Statement (p32) obliquely admits, the poverty problem is so entrenched that this Bill is not expected to get all targeted children “over the line for headcount purposes.” In other words: the depth and breadth of poverty in this country is such that even if the majority of our poorest 135,000 children² have their material position improved by the financial support in this Bill most of them will *still* be considered to be severely deprived.

We wholeheartedly agree with the [Children’s Commissioner](#) that what is missing and is badly needed is a *plan*, one that is comprehensive and well-considered, one that is up to the task of eradicating chronic, systemic poverty in New Zealand.

The proposal in this Bill is piecemeal in the following ways:

- It does not take the number of children per family into account, and therefore fails to meet the criteria of horizontal equity;
- It does nothing for beneficiaries and low-income workers without dependent children. Many of these adults – some of whom grew up in poverty, some of whom are chronically ill or impaired – are in very difficult circumstances too. Their plight should not be forgotten or ignored;
- The focus solely on children is because they are the future potential workforce; this is a very instrumental, non-compassionate approach which overlooks society’s responsibility to look after all vulnerable people.
- The increase in Working for Families abatement rates means the Bill will rob poor families to pay for the poorest. Those disadvantaged by this Bill will lose, on average, \$208 a year (RIS, pg30). This will only be partially mitigated by the “payment to redress unintended financial disadvantage resulting from the package”. Take-up of this payment is likely to be extremely partial and in any case it is a grandfathering targeted only to families *currently* receiving Working for Families assistance.

Recommended changes to the Bill re financial hardship

AAAP recommends the following changes to the Bill to alleviate financial hardship. They can all be implemented within the Bill’s \$250M pa budget:

- Acknowledge that families with more children have more expenses than families with fewer children by linking some of the additional financial support to the number of children per family;
- Delete the change to the Working for Families abatement rates;
- Index all benefits to the average net wage (as per national superannuation);

² Perry, B. (2014) Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013 Table. Wellington, Ministry of Social Development, Table F5, p. 135.

- Increase the minimum wage (which would lower the cost of Working for Families and other government support which currently subsidises employers).

In addition the government should:

- Increase financial support to adults in material hardship, even those without dependent children;
- Formulate and implement a total pan-government plan to properly address both child and adult poverty in New Zealand, that includes lifting benefits to similar levels as superannuation;
- Ensure all New Zealanders have appropriate, safe and affordable housing.

Increased obligations on beneficiaries

AAAP opposes all the Bill's increases in beneficiary obligations as they are counter-productive, increasing hardship instead of providing support for vulnerable children. They will be ineffective, will waste money and will further reduce beneficiary well-being and dignity. They create greater vulnerability in a population already highly stressed by low incomes, poor housing and dim employment prospects.

The RIS (p.16) states that the primary purpose of imposing parental obligations is “to complement any increase in financial assistance by helping to ensure it goes only to those eligible for it, and to balance increased financial assistance with mutual obligations to improve income and circumstances.”

This statement contains several questionable assumptions. Contrary to RIS reasoning:

- Obligations do not help to identify those people currently eligible for benefits. Instead, obligations *change* eligibility; they add to the criteria a person or family must meet in order to be deemed ‘deserving poor’. This will exclude people from the benefit and will entrench poverty for a number of families because, as we have seen since the introduction of the 2012 welfare reforms, obligations invariably result in arbitrary benefit cuts and sanctions.
- Beneficiaries are already over-burdened with large numbers of often inappropriate obligations. “One size fits all” obligations are nanny-state measures that counter-productively take decision-making power and related self-esteem away from beneficiaries.
- Threats are no use if people are not enabled to carry out obligations; often, even if they want to carry out the obligation, they cannot due to circumstances over which they often have no control (a lack of jobs, for example). Enabling is more effective than threats: contrary to the assumptions sitting behind this Bill, most people – including beneficiaries – wish to improve their situation.

By increasing obligations, the government:

- rejects society's responsibility to provide a safety net for its members by making it harder for vulnerable people to access the assistance they need;
- further erodes beneficiaries' rights to make decisions about their own and their children's lives;
- fundamentally changes the focus of social security from providing a safety net to becoming a coercive tool of behavioural change;
- ignores the official advice that there are structural reasons why people may not be able to find work.

Unlike job creation, these obligations are not likely to decrease the number of people on MSD books who are capable of finding appropriate jobs. The obligations do not focus on job creation or training support, nor do they affirm the importance of care work or acknowledge that not all work is good work.

The Bill does not acknowledge that sole-parenting is a more difficult and time-consuming role than team-parenting, and that part-time or full-time employment when managing a family alone is not always possible, desirable or appropriate given the needs of the children or the family.

The emphasis on paid work massively undervalues the caring work that many beneficiaries perform (including parenting and caring for the sick or infirm) that is essential to the health of New Zealand families, communities and society. For many, paid work is not a way out of poverty; many jobs simply do not pay a living wage. Paid work (especially within low-quality or precarious employment) is not always beneficial. Empirical evidence shows that: "Workers' income can suffer from poor quality employment, as can their health (both at work, as well as outside of it), their training prospects and hence their productivity, [and] their ability to influence decisions about their job such as their working hours. Accepting any job does not necessarily improve a worker's chances of getting into better quality employment."³

The threat of taking away vital financial assistance for families will add to feelings of stress and fear for those families when dealing with state agencies and, for some families, the threat is highly likely to lead to total disenfranchisement and disengagement. It is abhorrent to put families who are considered not to be complying – whether that "non-compliance" is due to language, address changes or other communication difficulties, depression or other health reasons – into dire financial straits.⁴

³*Roopali, J. 2005 'Work values and the quality of employment: a literature review' (Wellington: NZ Department of Labour, August), 23-24.*

⁴AAAP has provided advice and advocacy services for a number of such families.

Obligation 1: Part-time work test obligations on parents of children aged under 5

This obligation

1. takes away fundamental rights
2. will have little effect on beneficiary entitlements due to societal context and attitudes
3. will create more financial hardship for vulnerable families

1. Eroding rights: This requirement takes away the rights of parents to choose what is best for themselves and their families. When travel time between work and childcare is taken into account, some preschool-aged children will be obliged to be away from their parents for 25 hours or more a week due to this requirement. This is not the type of blanket decision the Government should be making for families; parents are the best people to decide what's right for their children's wellbeing and development. Not all areas have affordable childcare available for beneficiaries (even with the additional childcare financial support), fewer have good quality care, and even fewer have care available 25 hours a week for all children 3 and over. In situations where it is not available, it will be up to Work and Income staff to make a judgement whether a twice-daily bus ride to another area (for example) is "reasonable" or not. This is far too much discretionary control.

Work and Income discretion over work hours is offered as a mitigation of the draconian nature of the obligations.⁵ However, a Work and Income case worker – a stranger to a family – is never the best person to make such decisions for children and their families. Worse, it is evident from our work as beneficiary advocates that the culture of Work and Income is such that beneficiaries often are not receiving their *entitlements*, let alone being assessed appropriately for discretionary items and criteria. Recent press reports of a Canterbury Community Law investigation pointed out that fear among beneficiaries "was at a level where people were forgoing entitlements from Work and Income... because of previous negative experiences."⁶ Last year, AAAP also drew a link between a quadrupling of household power disconnections between 2008 and 2013 and the fact that hardship grants for power payments had dropped almost 20% since 2011, blaming Work and Income's culture of harassment and intimidation, visible through AAAP's advocacy work.⁷

⁵ <http://disclosure.legislation.govt.nz/bill/government/2015/23>

⁶ <http://www.stuff.co.nz/the-press/news/68162272/Beneficiaries-scared-stiff-of-Work-and-Income>

⁷ <http://www.scoop.co.nz/stories/PO1403/S00328/work-income-intimidation-culture-linked-to-disconnections.htm>

In addition, the “supplementary child” rules will apply to this Bill (ie if a person already on a benefit acquires a further dependent child then their obligations do not take that further child into account). There will be parents who care for a baby and a pre-schooler being told they have to work, but having no way of paying anybody to look after their baby, even if they think this would be appropriate. One hopes that Work and Income will use discretion in all such situations but they should not have to, and it is not guaranteed. The Bill’s deliberate inclusion of the supplementary child rules should be deleted (clause 6).

The RIS justifications for extending this obligation to the parents of pre-schoolers quote research about the benefits of good quality ‘part time work’ without defining ‘part time’ or discussing the availability (or lack thereof) of *good quality* part time work. The RIS (p.23) also says the obligation on the parents of 3 year-olds “aligns with expectations about children’s participation in ECE, reflects patterns in the wider labour market”. However, this uses merely one idea of ‘normal’ and turns it into a compulsion; patterns are not necessarily beneficial for everyone. (By way of analogy to show the justification is misguided: another pattern in the wider labour market that women are paid less than men on average for the same work; this is presumably a pattern that the Government wants to discourage rather than make compulsory.)

2. Little effect on beneficiary entitlements: In order to increase the well-being of sole-parent families, sole parents should be supported in whichever work decision they make, whether that is to go into the workforce part-time or fulltime, or to care fulltime for their child/ren. However, the obligations are highly unlikely to achieve even the more problematic aim of decreasing the number of parents receiving Sole Parent Support, due to logistics and an employment market that offers little part-time work while discriminating against the parents of preschoolers. To work 20 hours a week, most sole parents of children under five need to do *all* the following:

- identify, apply successfully to, and pay for Early Childhood Education of approximately 25 hours a week in an accessible location. (This is unlikely to be good quality in deprived areas, even with the Bill’s additional childcare financial support; infrastructure like ECE will only increase in quality slowly, *after* people have started paying for it. And good quality has become harder to find since 2010 when the Government abolished the 100% funding rate for ECE services with a fully qualified teaching workforce, in spite of the fact that fully qualified teaching workforces correlate with more positive outcomes for children.⁸)

⁸<https://ecnz.ac.nz/about-us/publications/early-childhood-teachers-work-in-education-and-care-centres/>

- identify and apply successfully for work of 20 hours a week that has stable hours within the childcare hours offered by their ECE provider. There is a scarcity of such jobs; on www.seek.co.nz on 23 June 2015, only 6.15% of all jobs advertised were described as “part-time” (meaning anything from less than five hours a week to 30), decreasing to 5.34% of jobs advertised in the Auckland area. Many of these jobs warn that applicants “must be flexible” or be able to work “any days or hours”; impossible for most sole parents with small children. And employers know it: parents are discriminated against in job application processes, as illustrated by the June 2015 case of a parent who was told she wouldn’t be considered for a job unless she had friends and family lined up to look after her children every time they were off daycare due to illness. Many parents don’t have such a “plan B”, let alone solo parents.⁹

3. Increased financial vulnerability: We already know from experience that Work and Income will make good on the threat to cut families’ benefits if the parents are not deemed to be meeting their obligations. This is unacceptable, and the Disclosure “safeguard” of “a graduated sanctions regime that ensures clients with children are protected to ensure that they do not lose more than 50% of their main benefit income” is cruelly inadequate. It is clear sole parents will work when they are able but nothing in the existing or proposed legislation acknowledges this.

The increase in hours in the definition of part-time work

This is a more difficult threshold to reach for part-time work, and many of the arguments above about the difficulty of finding suitable part-time work within suitable hours are also valid for the parents of school-aged children. Moreover, the increase in obligated work hours makes it more likely sole parents will move off the benefit to a work/Working for Families regime. Child Poverty Action Group has shown that not only does this simply pass the cost of child support from one department to another (MSD to IRD), but that full Working for Families entitlements cost more for the state, and introduce an unwelcome lack of certainty to household income where a job's hours are not set.¹⁰ Lack of certainty makes financial planning and budgeting very difficult, leading to inefficient use of meagre resources. It also means that parents have to go to work at least three days instead of two (even if one or more days is a part time day), making this inappropriate for more families.

⁹‘Daycare bugs cost mum job chance’

http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11468273

¹⁰<http://www.cpag.org.nz/resources-publications/our-children-our-choice-priorities-for-policy-7/part-5-family-incomes-2/> page 16

Annual benefit expiry and reapplication process

This is only about “ensuring people are receiving their correct entitlements” in so far as it’s ensuring they’re not receiving more than they should; it’s not about ensuring they’re not receiving less than they should. The main effect of this regulation will be to throw up another barrier to support for children.

Recommended changes to the Bill re obligations

- Delete all new obligations introduced by the Bill
 - If the idea of beneficiaries having parental rights is unpalatable, at least delete the change to the supplementary child rule.
- Ensure the definition of 'part-time' explicitly states that it does not include zero-hours contracts which increase uncertainty to impossible levels for families.
- Define 'suitable work' in the legislation as 'work that works for children', for example, it is within school and or ECE hours allowing for travel time.
- To really support those sole parents who wish to work:
 - increase the minimum wage
 - reinstate the 100% funding rate for ECE services with a fully qualified teaching workforce
 - allow for the work requirement to include the ability to choose to study as an alternative to paid part time work
 - reinstate access to the Training Incentive Allowance for NZQA qualifications at level 4 and above
 - encourage national and local government, and other large employers, to advertise as many positions as possible as potential part-time/job share positions. (Local councils who do so are increasingly common in the UK.)¹¹

¹¹ See Bristol City Council’s job share policy for example: <http://www.bristol.gov.uk/doc/part-time-working-job-share-policy>