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LONG TERM BENEFIT DEPENDENCY: THE OPTIONS

"Thus, the task is not so much to see what no-one yet has seen, but to think what nobody yet has thought about that which everybody sees." Arthur Schopenhauer (1788 -1860)

The Methodist Mission is the social service arm of Te Haahi Weteriana O Aotearoa, the Methodist Church of New Zealand in Otago and Southland. We have been providing social services and advocating for social justice for over 120 years. In our last financial year the Mission assisted 5542 people with a wide range of social service needs. The Mission offers the following responses to *The Options*:

1. What We Appreciated

- a) This Mission respects the courage of the Group in raising issues and canvassing options that will raise predictable ire amongst sections of the community, as the Group attempts to extend the horizons of the debate it has been tasked to explore.
- b) The Mission agrees that the corrosive and isolating effects of poverty are a stain on all of the people of Aotearoa / New Zealand, not only as a tenet of principle, but also of pragmatism: the poor life outcomes, higher crime, and higher health costs impact upon us all.

The Mission notes, as has the Group, the positive pro-social impacts on individuals and whanau of having **meaningful** occupation: Robert Putnam has written that *'As a rule of thumb, if you belong to no group, but decide to join one, you cut your risk of dying over the next year in half. If you smoke and belong to no group, it's a toss-up statistically whether you should stop smoking or start joining'*.

The Mission sees that the entitlement to welfare support in this country has always been so that the corrosive and isolating effects of poverty are reduced, and is supportive of any initiatives that bolster that bulwark.

- c) The Mission agrees that long-term receipt of a benefit entitlement can lead to an individual or whanau (mal)adapting as if this were an enduring condition; losing resiliency and having their hopes and dreams consumed by the day to day experience of poverty.
- d) Finally, we agree that the most significant components of a working welfare system are **economic, labour market, health and education interventions designed to promote high levels of employment** and economic activity.
- e) Q4 (iii) Q1-4 The Mission supports this recommendation as long as the total amount of time spent in childcare does not exceed 30 hours per week per child (the internationally recommended maxima).

- Q7 (i) O3 The proposal is supported, inasmuch as it must be integrated with Whanau Ora style whole of whanau engagement.
- Q8 (i) O1-3 (pg13) The Mission supports all of these proposals.
- Q8 (ii) O1-3 The Mission supports all of these proposals.
- Q9 (ii) O1-3 These options are supported inasmuch as such services must include a psycho-social support component to address individual and whanau resiliency, and that targets for placement reflect the reality of the demand for labour in the local market.

2 **What We Struggled With**

- a) The case for “welfare dependency” has not been made, and we are concerned that the adoption of this term and the underlying philosophical and pejorative concepts are as damaging to those on benefits as any other causal factors identified by the group in its “Issues” paper.

Two quick examples suffice: although Fiji has no welfare system (and therefore, by definition, no “welfare dependency”) unemployment is running at over 40% of the working age population; the United States of America has time-limited, and in some states either punitive or non-existent welfare support, yet unemployment in the USA is running at over 10%. Both of these rates are considerably higher than in Aotearoa / New Zealand. **There is simply no correlation between the provision of welfare and the rate of unemployment.**

- b) Without this correlation, the perspective and language of “welfare dependency” will **inevitably objectify beneficiaries** (those who access their **entitlement** to welfare support), dehumanising those who are already struggling.

John Ralston Saul, the Canadian philosopher, has rightly pointed out that the one thing that extremism irrevocably achieves is the awareness that it is possible to be extreme. The Mission is mindful of the **security guards posted at Income Support Service offices** in the 1990s and in similar organisations overseas, as beneficiaries’ frustration with an uncaring, unresponsive, and objectifying experience at the hands of the state **boiled over**.

Aotearoa / New Zealand does not need the re-emergence of the hard left and the hard right battling it out for the hegemonic soul of the nation; trampling hundreds of thousands of people underfoot as they go. Stability is required in our delivery of welfare support and for this reason **wide cross-political-spectrum consensus must be sought**.

- c) The Group has again failed to provide **any analysis of the contribution of underlying macro-economic conditions** to the number of poor individuals and whanau, and no analysis of the **low-skill** nature of much of our economy and/or the **long-tail of educational failure** and their impact on the macro-economic environment. These elements are clearly the primary cause of poverty in Aotearoa / New Zealand and any solution set that excludes answers to these contributing factors **can only fail**.
- d) The Mission notes that there a number of (presumably unintended) downsides to many of the proposals, that do not appear to have been considered:
- i. Any insurance scheme (Question 1 (i) Option 2) will raise **compliance and red-tape costs** for businesses, particularly SMEs which are already struggling to hold costs in a restricted income environment.

- ii. Placement of beneficiaries into unpaid work situations either amongst voluntary agencies or with commercial operators will raise questions as to the **ability** of those organisations to cope with the numbers envisaged, the **suitability** of those being required to undertake hours, and the likelihood of **additional shrinkage (employee theft)** by those feeling resentful at having been coerced into the placement.
 - iii. It is probable that the State will have to furnish **a payment to employers** to get them to take on this group of clients (in any volume), and the costs of this may not be tolerable to the taxpayer, nor to Treasury who will view it (appropriately) as an inadequately focussed subsidy of commercial enterprise. **The rorts of Taskforce Green should not be forgotten.**
 - iv. The “incentives” proposed by the Group are largely “**avoidance of penalty**” in nature, rather than genuine incentive. Most behavioural theorists support **positive** behaviour modification over negative as more efficacious; avoidance of penalty cannot be construed as a positive behaviour modification, as is therefore a weak incentive.
 - v. The economic law of diminishing returns has been triggered under previous iterations of the system where the high compliance costs, necessary low staff : client ratios, increasing reliance on payments to employers, and in ACC’s case the legal and court costs faced by an increasingly litigious client base (in the face of being treated as “dependents”); have conspired to **cancel out any savings through enhanced costs.**
 - vi. The proposal Question 3 (v) Option 1 effectively puts **Work and Income in charge of local economic planning**, which is an interesting suggestion from the Group that otherwise has reflected neo-conservative economic orthodoxies. **W&I does not have this skill set**; centralised economic planning has never worked; and it can be expected that Territorial Local Authorities, Chambers of Commerce, Economic Development Units, and the Employers’ and Manufacturers’ Associations **would not value** this development.
 - vii. The proposals in Question 4 (i) essentially prioritises the psycho-social development of all but the last child in any family. Given the Group’s concerns **about intergenerational welfare uptake**, and the **self-perpetuation** of poor school outcomes, this option is contradictory even within the Group’s own **philosophy**. It is completely out of step with the current Government’s **Drivers of Crime** framework.
- e) i) Q 1 (i) O1 (pg 5) It is not clear what “increased work expectations” would be, except to extend the work expectation to those on Domestic Purpose, Sickness and Invalid’s Benefits. If this is the case, then the Group risks extending the fight with the medical profession **that ACC is currently loosing**. Of advantage to the client group is the fact that the advocacy framework of beneficiary supporters, lawyers, and NGOs has been well established as a result of ACC, and it can be expected that there will be little time lag in this infrastructure adding W&I to its portfolio.
- Q1 (i) O3 The early indications from W&I’s implementation of their new LLTBR assessment tool is that the “scientific method” it embraces is full of assumptions flaws, poor operator application, and the problems that originate when generalised statistics are applied at a micro-level: as a result the LLTBR is failing in a persistent percentage of cases to correlate with the judgement of experts. **Deploying scientific-looking tools when discernment and skill are required** always results in cost escalation as those on the receiving end (and their support agencies) respond litigiously.

- ii) Q2 (ii) O1 (pg 5) Does not allow for the differing circumstances of individuals and whanau and will result in considerable additional costs for processing the “outliers” (which will in fact be **the bulk of the client group**).
- e) Q3 (iii) O1 For this to be effective, Corrections must move away from dangling access to in-prison courses and development as a reward for good behaviour – **the support must be available to all**.
 - Q3 (iv) O1&2 Compelling psychological or therapeutic treatment is well-known to be **counterproductive to effective intervention**.
- iv) Q4 (ii) O1-3 (pg 8) International research suggests there is no additional efficacy in this approach.
- vi) Q6 (i) O1-4 (pg 11) The Mission questions why these options are not offered **for all beneficiaries**, with the replacement of Iwi/Maori in each of the options with the term “NGO/TLA”, as the tone of these options is markedly different from all the other options provided in the paper.
- vii) Q7 (i) O1 (pg 12) The Mission has seen how “market forces” and “national standards” have produced nothing but **additional administration and transfer costs** in the secondary schooling systems of countries overseas; the argument for using commercial models to manage public goods has been lost elsewhere: Aotearoa / New Zealand **does not need to repeat the learning**.
 - Q7 (i) O2 **Education is not just for work, it is for life**. We do not exist as a society to produce workers, but to craft citizens. A work focus in secondary schools, except for a very small minority of students, will be a **wasteful distraction**.
 - Q7 (ii) O4 CYF is widely known for **not meeting their current** statutory obligations for children aged over 14, except in the most dire of cases. This option presents no change over the status quo without considerable cost increases to the taxpayer, and is highly unlikely to produce real change in benefit uptake.
 - Q7 (ii) O5 This option makes sense in principle, but it does not allow for the **diversity of young people’s home life experiences** and as a result represents no advance on current policy.
- viii) Q8 (ii) O4 This proposal runs counter to the Group’s assertion that it intends to move beneficiaries away from “dependency”, establishing as it will a **costly approval process for each item of expenditure**.
 - Q8 (iii) O4 This proposal **would breach the Human Rights Act 1993** (discrimination on the grounds of employment status).
- ix) Q9 (ii) O4 It is not clear how this benefits the taxpayer or beneficiaries beyond introducing a **fourth party to the contractual relationship**, which can only add cost factors to the process.
- x) Q10 (i) O1-4 (pg16) Real time adaptation of educational offerings to local market needs

will **require far greater access to employer needs** than W&I has ever achieved (at the moment they are trying to move from handling 4% of all vacancies to 25% and are struggling); and a solution to the time required for **quality assurance mechanisms** (e.g. NZQA) to be fully managed in the design of new educational product.

- xi) Q12 (k) O1-3 (pg7) With very, very great care for the thousands of people whose material well being, mental health, and political status is about to be impacted upon.
- xii) Finally, the following options appear to present **no change** over the status quo; imply **significant cost increases** for the taxpayer; **produce no real change** in benefit uptake; and/or **result in counter-productive behaviour** from the client group:

Q2 (ii) O4	Q5 (i-v) (pg 10)	Q8 (iii) O1-3 (pg 14)
Q3 (i-ii) O1&2	Q4 (iv) Q1-4	Q8 (iv) O1-5
Q3 (v) O2	Q7 (ii) O2-3	Q9 (i) O1-2 (pg 15)
Q3 (vi) O1	Q7 (iii) O1-3	Q11 (i) O1-3 (pg 16)

4 What We Suggest Instead

- a) Amend of the Reserve Bank Act to **prioritise employment outcomes** for monetary policy (rather than the current sole focus on inflation);
- b) Provide **greater access** to and incentivise the enrolment and completion **of foundation and other post-secondary education** by beneficiaries as a way of raising the low-skill, long-tail educational profile of a considerable number of current beneficiaries, and in the medium-term the capability of labour within the economy as whole;
- c) Amend Government Fiscal policy so that the emergence of industries that pay higher than the average wage is promoted, allowing overall wage levels to be raised, thereby enabling those at the bottom of the wage structure to more clearly see the financial rewards of employment, promoting acceptance of the very real personal risks of enrolling in further education;
- d) Provide financial support to suppliers of **out of hours** early childhood education and care so that **shiftworkers** and their families can access the educational benefits of ECE, and more easily manage night and weekend work opportunities;
- e) Provide wraparound support and advocacy services via NGOs (which are less intimidating than state providers) for long-term beneficiaries toward **the rebuilding of individual and whanau resilience** (similar to Whanau Ora), so that education and employment opportunities are able to be **enthusiastically embraced**;
- f) Support the establishment of **community employment projects**, promoting social entrepreneurship and community building (a significant resiliency factor) to emerge in communities of high benefit uptake – providing for **economic activity, skill development**, and the **surfacing of entrepreneurs** in a supportive environment. This will have the added advantage of being able to be clustered within natural communities (geographic and/or cultural);
- g) Establish **internships**, supported by ITO workplace assessment, to provide an educational structure as a **positive incentive** for beneficiaries moving into work experience;
- h) Consider other positive incentives, such as support for **extra-curricula school costs for children** in families of beneficiaries where the whanau has achieved psycho-social goals (e.g.

improved parenting skills), **scholarships to post-secondary education**, access to a family camp experience or **other rewards** for raising whanau resiliency; such rewards to be identified via market research amongst the target population;

- i) Support the development of relationship with NGOs so that **emergent needs forecasting** can occur in real-time, to allow for more pre-emptive reallocation of state resources to allow for **early intervention**;
- j) The Mission reminds the Group of Community Change Theory, which says:
 - i. People want to change.
 - ii. The solution is already there (although not always visible).
 - iii. The focus is the future and the present, rather than the past.
 - iv. The practitioner–client relationship is very important.
 - v. The practitioner shifts the client’s thinking and language from problems to solutions.
 - vi. Insight and knowledge of the problem is not necessary; the focus is on solutions

Work and Income **must shift their engagement modality** to a strengths-based approach e.g. Results Based Accountability, Client-Directed, Outcome-Informed; all of which have strong evidence for being more impactful than the current Work and Income modality, and which would integrate far more successfully with NGO / Whanau Ora activity – allowing for greater integration between agencies. .

- k) Increase investment in research and development, particularly hard-science based R&D, from both private and public sources. As noted by Sir Peter Gluckman in his speech to the OECD (7 December 2010) there is a direct correlation between national economic performance and the amount of GDP invested in scientific R&D.

5 What We Ask

The Mission’s frustration with most of the Group’s proposals is based on the lack of evidence for the assertions that:

- a) There is unmet demand for labour in New Zealand that cannot be explained by geography or the normal timing lag between emergent labour need and supply
- b) Pressuring the supply side of the labour market produces more jobs;

Yet these assertions are fundamental to the remainder of the Group’s work. The Mission asks that the Group publish the research that backs these assertions as soon as possible, as without it the Group can justifiably be held to account for its seeming lack of compassion.

Yours sincerely



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