Can we afford our welfare system?

In April 2010 the Government created the Welfare Working Group to consider how it may respond to some of the challenges facing New Zealand’s welfare system. This review was quite narrow in its terms of reference as it only paid attention to the behaviours of working-age welfare beneficiaries—those receiving the unemployment, domestic purposes, sickness and invalids benefits. Deliberately ignored in these terms of reference were any consideration of National Superannuation, the adequacy of the benefit system to lift people out of poverty, and the interface between the welfare system and the health system and Accident Compensation. The Group’s focus was instead almost solely on the problem of long-term benefit dependency.

The Welfare Working Group presented its recommendations to Government in February 2011. These recommendations centred around the idea that government and community agencies should focus primarily on getting unemployed people back into work as quickly as possible. This focus, the Group suggests, should be directed by a new agency, ‘Employment and Support New Zealand’, which actively supports solo parents, the sick, the disabled and the out-of-work into work. This approach, for example, will see solo parents being required to be in work or being seeking work opportunities when their children turn three.

This focus on the working age population who are not working is, however, just part of the welfare picture and it is important that New Zealanders consider the whole of this picture as we think about the future of our welfare system. This year, social assistance in various forms will cost taxpayers just under $22 billion. Nearly $10 billion of this cost is for New Zealand Superannuation, a further $2 billion is for assistance to working families, while just over $5 billion is for the main working age benefits which have been the focus of the Welfare Working Group.[1] Over the next five years Government is forecasting that total cost of social assistance will increase by $3.1 billion with $2.8 billion of this increase being the increased cost of New Zealand Superannuation.[2]

Our aging population and the financial costs of retirement incomes and of health care are, in fact, the big welfare questions we are facing as a country. By 2050, New Zealand’s population is expected to have grown by 25 per cent, while the numbers of people aged over-65 will have grown by 150 per cent, and the numbers of people aged over 85 by 400 per cent. Presently around 25 per cent of Government spending is spent on 12 per cent of the population which is aged over 65.[3] The biggest challenge we face right now is how we can afford the costs of this aging population. Yet, this issue is hardly being discussed by politicians who simply don’t wish to consider ways of making Superannuation more affordable for fear of losing votes.

Clearly, if we are to meet the financial challenges we face with our aging population it is important that our economy—including our workforce—is as productive as it can be. The emphasis on moving working-age people from benefits into paid employment is necessary, not only to reduce the cost of welfare and to improve productivity, but also to give these people access to greater opportunities that come with engagement with others.

Long-term welfare dependency is both a social and economic problem. The Welfare Working Group reports that more than half of people receiving a benefit have done so for five years or more, and nearly 20 per cent have been beneficiaries for more than 10 years.[4] It is, however, important not to attribute this dependency solely to the moral or personal failures of those concerned. Many people living on benefits have chronic illnesses and severe disabilities that would make it difficult for them to find suitable work even in good economic times. While many of those receiving the domestic purposes benefit are looking after children in communities, where child care is expensive and inadequate and where nearby job opportunities are scarce. The Welfare Working Group is right to recommend that more support should be given to those with illnesses, disabilities and child care responsibilities in order to get them into work. This side of the equation might be forgotten if we buy into the language and the representations of people on benefits as dole bludgers or as breeding for a living, or that their position is a lifestyle choice.
It is relatively easy for politicians to marginalize the most vulnerable in our society through broad, often prejudiced, and ill-informed generalisations. Such behaviours are little more than distractions which can create scapegoats as a way of explaining more complex problems. The scale of increasing costs of welfare and social assistance is not due to the actions of a teenage mother, or of someone suffering from debilitating mental illness. This problem was created decades ago when we failed to plan for the retiring baby boomer generation because we brought into popularist political promises that claimed that we could have it all and somehow pay for it later. We have lived on borrowed time and this time is running out.

¹ 2011 Budget Economic and Fiscal Update p.158  
² 2011 Budget Economic and Fiscal Update p.85  

**Questions to think about before you vote:**

- What will happen to our welfare state and to our economy if we simply do nothing to address the problems of an aging population?  
- Who are most vulnerable to these changes and how are they likely to suffer?  
- What options do we have in addressing this problem?