



SOCIAL POLICY AND  
PARLIAMENTARY UNIT

Working for the eradication of poverty in NZ

## **Submission to Social Development Select Committee on the Social Security (Youth Support and Work Focus) Amendment Bill 2012**

*This submission has been authorised by The Territorial Commander of The Salvation Army, New Zealand, Fiji and Tonga Territory, Commissioner Donald Bell*

### **1 Background to The Salvation Army**

- 1.1 The Salvation Army is an international Christian church and a social service agency which has worked in New Zealand since 1883. We provide a wide range of practical spiritual, social and community services across New Zealand but especially into our most vulnerable communities and for the most vulnerable families and individuals - the people and groups we often refer to as the least, the lost and the last. The mission of The Salvation Army in the New Zealand, Fiji and Tonga Territory is to care for people, transform lives and reform society through God in Christ and by the Holy Spirit's power. It is from this mission that we make the following submission to Parliament's Social Development Committee on the proposed Social Security (Youth Support and Work Focus) Amendment Bill.
- 1.2 Through its work The Salvation Army is actively involved in delivering social and community services through our 47 community ministry sites throughout New Zealand. This work is funded through Government contracts, community donations and our own resources. Every year we assist over 60,000 individuals and families in a number of ways including provision of food parcels, budgeting advice, counselling, addictions treatment and training and employment.
- 1.3 As well as fulfilling our mission, this submission is motivated by a concern we have that poorly designed and implemented welfare policy can have a detrimental and even devastating impact on individuals and families. Our community ministries and other services will inevitably get to see these impacts on the faces and in the lives of the people who will seek assistance from us. We have real concerns that the proposals being advanced through this Bill will cause unnecessary and quite avoidable harm to thousands of New Zealanders and we ask the Committee to have regard for this risk as you review this Bill.

## **2. Overview of The Salvation Army's submission**

- 2.1 The Salvation Army is concerned that the underlying motivations for the proposed amendments are fundamentally inconsistent with the intention of the Social Security Act and with the idea that societies such as New Zealand ought to have a safety net which prevents all citizens, regardless of their circumstances, from slipping into absolute poverty. We fear that the literal application of the sanctions proposed in this Bill risk exactly this and that this risk is particularly high for the children of those to whom these sanctions may be applied. The possibility of such outcomes and indeed the needs of children in general do not appear to have been considered by those responsible for drafting this bill.
- 2.2 The Army believes that the overall pre-occupation of this Bill on using threats and sanctions as a means of reducing welfare queues risks creating real hardship for the most vulnerable New Zealanders and that such a perspective is hardly appropriate or relevant at a time when jobs are scarce and job training opportunities limited. There is clear evidence that welfare dependency declines in the face of opportunity and we believe that government could better spend its energies on finding and creating wider opportunities.
- 2.3 The Army believes that those provisions of the Bill which limit the ability of recipients of youth payments to spend their benefits are not only unnecessarily restrictive but are quite paternalistic. We understand the sentiment behind such moves to limit how and on what recipients of youth payments can spend their benefits on, but believe that these moves are at best unhelpful and perhaps even counter-productive
- 2.3 We believe that any consideration of the interests of children is completely missing from any of the measures being introduced by this Bill. We find such an omission unbelievable and wish to suggest ways in which such an imbalance may be addressed.

## **3. Inconsistency with basic purpose of the Social Security Act 1964**

- 3.1 The Salvation Army believes that the Social Security Act 1964 is a fundamental piece of legislation from which some of New Zealanders' basic social rights originate. We accept that even such fundamental statutes require amendment and change as our society changes and as the democratic preferences of New Zealanders shift. We believe that it is however important that these changes remain consistent with the original purpose of the Act, in part for transparency of purpose on the part of those proposing change and in part to avoid basic contradictions of purpose and inconsistency of intent. If it is the intention of a government to radically change the philosophical basis of a significant piece of legislation, we believe that the new legislation should be introduced rather than existing legislation adapted mainly because it is a more transparent process and so offers the public a clearer picture of both the extent and intent of the changes being proposed.

- 3.2 If we simply adapt and re-adapt legislation without at some time reviewing the basic purpose of an act we risk such excessively amended legislation becoming a patch work quilt of disparate ideas and directions. This danger in our view is apparent with the proposed amended purpose, or, more correctly added purpose, as set out in section 4 of the Bill.
- 3.3 For the Committee's reference we have provided the entire Purpose of the current Social Security Act below.

#### **1A Purpose**

*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:*
  - (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.*
- 3.4 The proposed amendment to this section is set down in clause 4 of the Bill which proposes to insert the following paragraph after section 1A(12)(c) of the Act (a section which does not appear to exist)
- “(ca) to provide services to encourage and help young persons to move to education, training and employment rather than to receiving financial support under this Act”*
- 3.5 It is the Army's submission that this proposed purpose is not only awkwardly worded but is quite inconsistent with the existing purpose of the Act, both in terms of intent and focus. The focus of the current Act is to provide individuals with financial assistance and the intent is to do so in order *“alleviate hardship”*. The proposed new and additional purpose appears to have a focus on providing services which will *“encourage and help young persons to move to education, training and employment”*, while the intent is to avoid these young persons from *“receiving financial support under this Act”*. Quite incoherently the proposed amendment will mean that the Social Security Act both distributes financial support to alleviate hardship and tries to avoid some people from receiving such financial support.

- 3.6 Supporters of the Bill may argue that this inconsistency is resolved through the application of the new purpose (to be contained in a proposed section 1A (ca)) only to those people covered by the proposed new Part 5 of the Act - that is young people. While this application may be so, the inconsistency remains where the purpose of the Social Security Act is to alleviate hardship for some people and to provide services as a means of avoiding payment of benefits to others.
- 3.7 It is The Salvation Army's submission that the alleviation of hardship should remain the primary focus of the Social Security Act, and that the proviso of any administration of assessments, reviews and sanctions should be to avoid unnecessary hardship. The Army further submits that the phrase "rather than receiving financial support" be deleted from the proposed section 1A (ca)

#### **4. A focus on opportunity not on dependency**

- 4.1 In any public policy exercise such as this it is important we believe that we agree or at least reflect on what the underlying policy issue or question is before we jump at solutions such as those proposed in this Bill. The preamble to the Bill offers some insights into what the government believes are the problems which need remedying through this Bill. There is little or no evidence offered in support of these claims as indeed there was little or no evidence offered in support of the claims and proposals offered by the Welfare Working Group which is cited in the preamble as being the initial catalyst for these changes.
- 4.2 The Salvation Army believes that it is important to trace the links both backwards and forwards from the policy problem or problems which are motivating this Bill. Backwards from the problems to the causes and forwards from the problems to the proposed mechanisms which are expected to address them.
- 4.3 The preamble simply states the central policy problems as follows
- the benefit system is apparently based on *"outdated views of what people can or should do"*
  - *"proactive employment support is provided to a relatively narrow group of people, mainly those receiving unemployment benefits"*.
  - 330,000 working age people - or 12% of this age group are receiving benefits
  - there are *"well established links between receiving benefits, poverty, poor health and many other poor social outcomes"*
  - the benefit system costs New Zealander around \$8 billion each year, and,
  - because *"the benefit system can do a lot more to promote independence and recognise people's work potential"* by implication it is not doing this very well at present.
- 4.4 The response to these complex problems, according to the Bill's preamble *"is a comprehensive package of welfare reform staged over two years which is aimed at transforming the benefit system into one that is modern, active and work-focused for adults and education focused for young people"*. In addition to these reforms the *"Ministry of Social development will be implementing a new investment approach to*

*welfare*". The two key welfare legislation changes offered by the Bill which presumably form part of this promised package of welfare reform are

- a series of policy changes to the administration of and access to youth benefits, and
- an extension of work testing to a wider group of people receiving one of the main benefits.

4.5 In response to these statements of issues and possible solutions, The Salvation Army agrees or accepts the following points

- training assistance and job search support is too narrowly targeted and could be more broadly focused with larger budgets;
- the number of people who need to rely on a benefit as their main source of income is too high and in an ideal world we should have far fewer people in this position;
- there are links between benefit dependency and poverty and between poverty and a number of poor social and health outcomes - the causality behind these links is debatable and it is by no means certain that benefit dependency causes poverty and the poverty leads inevitably to these poor health and social outcomes - the causality could in fact run in the opposite direction;
- the benefit system could do more to promote, encourage and support people into work and to increased financial independence.

4.6 Two broad points should however be made in response to the Government's framing of the need for welfare reform as set down in the preamble to the Bill and summarised above in paragraph 4.3. These relate to the size and nature of welfare budgets and to the link between welfare dependency and economic opportunity.

4.7 The table attached as an appendix summarises nominal expenditure on the main welfare benefits and other welfare transfers. These figures are taken either from Government budgets or financial statements. In the current fiscal year expenditure on these welfare transfers is expected to total \$19.2 billion of which half was for New Zealand Superannuation payments, 10% was for housing subsidies, 14% was toward "Working for Families" - the bulk of which goes to households in employment. Just over one quarter (26% ) of this total budget is spent on the means tested "Main Benefits" which are the main focus of this Bill and the welfare reform package of Government. This budget for the "Main Benefits" for 2011/12 is expected to be \$5 billion not the \$8 billion claimed in the preamble. The number of young people likely to receive the Youth Payment is likely to be around 2,000 of a total population of around 125,000 people in the 16-17 year cohort<sup>1</sup>. From this data it is clear that the level of dependency amongst young people is not outrageous, that the financial burden of welfare transfers is much broader than that of the burden of those people living on the four "Main Benefits" and that the measures in the proposed Bill are unlikely to reduce the costs of welfare significantly even if they are wildly successful.

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<sup>1</sup> The Statistical Report for the Year ended June 2010 reported 1667 people receiving an unemployment related benefit who younger than the 18 years. The bulk of these payments were for the Independent Youth Benefit. The population figure is taken from Statistics New Zealand's national population estimates.

4.8 The second point which the Army wishes to raise is the already strong link between rates of benefit take up and economic opportunity. This relationship is well illustrated by Figure 1 which reports the numbers of Domestic Purposes Benefits paid out on a quarterly basis for the past decade (to December 2011). This data shows clearly the extent of the decline in the numbers of households on the DPB during the economic expansion between 2004 and 2007 and the subsequent rapid increase in take up as the labour market shrunk between mid 2008 and late 2010. The same cyclical pattern is clearly evident in numbers receiving the Unemployment Benefit but not for the numbers of people receiving an Invalids Benefit and a Sickness Benefits which have shown a moderate by consistent increase over the past decade.

**Figure 1. Domestic Purposes Benefit take-up 2001 to 2011<sup>2</sup>**



4.9 It is a simple fact that job growth over the past three years has not matched growth in the labour force. The Household Labour Force Survey for example reports the following changes between December 2007 and December 2011 and summarised below in Table 1. Over this period the number of people officially unemployed has risen by 70,000 but in addition to this shortfall, a large number of people perhaps as many as 30,000 have disappeared into the numbers who are not counted as being in the labour market perhaps because they are the so-called “discouraged unemployed”. These people, and, perhaps some of those within the 70,000 who are officially unemployed, are amongst those who may be targeted by the new measures contained within the Bill. However many people there are now out of work and who in better economic times would have found work, the

<sup>2</sup> Data is from Ministry of Social Development’s benefit factsheets

simple reality is that today there are just not enough jobs to go around. This reality in our opinion Army should be the one motivating changes in welfare policy at the moment.

**Table 1: Labour force and labour market changes 2007-2011 (000s)**

Quarter	Total employed	Unemployed	Total labour force	Not in labour force	Working age population
December 2007	2,185	80	2,265	1,047	3,312
December 2011	2,227	150	2,371	1,107	3,478
Change	+36	+70	+106	+60	+166

## 5. Limitations to the youth welfare provisions in the Bill

- 5.1 The Salvation Army has three principal concerns with the proposals set down in clause 20 of the Bill - those relating to “Financial support for young people”. These concerns relate to the paternalistic and heavy handed nature of the proposed administration of payments, the absence of any focus on the needs of the children of young parents and workability of the proposed management of people receiving the proposed youth payment.
- 5.2 While The Salvation Army appreciates the sentiment behind the proposal to have control over expenditure of youth payments which is contained in proposed section 179, we believe that the extent of the proposed controls are paternalistic and will dis-empower the individuals concerned. To us it seems quite counter-intuitive to develop a policy and programme which is intended to encourage young people to become independent and then to have a key element of this package designed to limit individual’s autonomy and discretion.
- 5.3 The extent to which the mis-spending of the present Independent Youth Benefit is a problem is not known. Already there is scope to have prior deductions taken from a person’s benefit to pay for such things as accommodation costs. To us, it seems practical to require such an approach to be applied for the payment of the new youth payment and so avoid a complex system of management and surveillance which as we discuss below is likely to undermine relationships between the young person concerned and their case manager.
- 5.4 In proposed section 164 -“Young parent payment: basic criteria” and section 170 “Youth support payments: obligations”, there is we believe little or no recognition of the needs of the children of young parents or of the obligations of these young parents to their children. In fact the only obligations of these young parents which appear to matter are those to the state in exchange for receipt of a benefit. The Minister of Social Development has previously stated that her “*first priority is the protection of vulnerable children*”<sup>3</sup> and it seems quite incomprehensible that the interests of some of the most vulnerable of children, those of very young parents, are ignored in policies such as those proposed in section 170..

<sup>3</sup> See the Ministerial Forward to the Green Paper *Every child thrives belongs and achieves*

- 5.5 Section 170 (2)(c) requires a person receiving the young parent payment “*to ensure the child’s attendance at an approved early childhood education programme or other suitable childcare while the young person is in education, training, work-based training, or part-time work.*” The problem here is the limited availability of registered early childhood education centres in many neighbourhoods and particularly those of South Auckland. While it may be an obligation of a young parent to ensure that her or his child goes to a good quality ECE centre, the practicalities of this in terms of transport, cost and time may make the fulfilment of such an obligation very difficult. A similar assumption around the availability of opportunity is made in section 170 (4)(a)(i) where it is assumed that a young parent and her or his child can simply attend a teen parent when the child is six months old.
- 5.6 The Salvation Army acknowledges and applauds the Government’s attempts to address the inequality of provision of ECE centres in places like South Auckland but observes that these attempts have been limited and drawn out. The current under-provision of ECE services in the same neighbourhoods where teen parents are most likely to live should in our view mean that rules around entitlements to and obligations for receipt of a young parent payment are conditional on the easy and convenient availability of good quality ECE services. Reference to such options as “*other suitable childcare*” in section 170 (2)(c) is in our view vague and could lead to young parents having to rely on informal and perhaps less reliable childcare in order to meet their training or work obligations. Such arrangements are not in the interest of the child and it is the Army’s view that these interests should remain central to this whole policy.
- 5.7 The Salvation Army already works with at risk young people through the vocational and life skills training courses it offers through Employment Plus. This long experience has provided us with insights into how the relationship between a young person and an agency providing them with services works best. The Army believes that the requirements in proposed section 179 of an agency working with young people to act as their financial controller can potentially undermine the relationship between a young person and that agency. The Army certainly supports the idea of case management of young people receiving a youth support payment and intends to actively seek opportunities to undertake this work through contracts with Ministry of Social Development. We believe however that this case management would work best if the relationship developed between the young person and the agency was more like a mentoring one than a policing one. For this reason we do not believe that the provisions contained in proposed section 179 are either necessary or helpful.
- 5.8 A final and overarching concern which The Salvation Army has around the proposed section 20 of the Bill and the proposed Part 5 of the Act is the extent to which these provisions will appear so onerous that young people will not seek assistance from Work and Income. We note for example that in September 2011 there were an estimated 24,200 young people aged 15 to 19 who were classified as NEET (Not in training education or employment)<sup>4</sup> and we expect that it is this group of people most at risk of

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<sup>4</sup> Source Statistics New Zealand

committing petty crime, of engaging in alcohol and drug misuse and of becoming young parents. The present benefit regime reaches only a minority of this group and it is the Army's fear that erecting more difficult and more complex access rules such as those proposed in section 20 of the Bill will discourage the most at risk youth from engaging at all. While such an outcome may reduce benefit budgets, it is unlikely to save the community money in the longer term and in the broader sense.

## 6. Children's interests in proposed work-testing requirements

- 6.1 It is The Salvation Army's submission that the interests of children have been largely ignored both from the existing work-testing rules in the Social Security Act and the new rules proposed in Part 3 of the Bill. It is the Army's submission also that the work testing rules themselves are vague and offer wide discretion to chief executive and his staff so create scope for misuse and abuse. The Army suggests below that specific recognition of the needs of children need to be built into the work testing rules and that these rules need to be tighter so that the scope for misuse and abuse is reduced.
- 6.2 Section 102A of the Acts sets out the work test obligations of people receiving a "work-tested benefit". These obligations make reference to the idea of "suitable employment" as for example in section 102A (1)(a) which requires a benefit recipient *"to be available for, and take reasonable steps to obtain, suitable employment"*. The Bill, in clause 29, redefines suitable employment to be *"Suitable employment in relation to a person, means employment that the chief executive is satisfied is suitable for the person to undertake for a number of hours a week determined by the chief executive having regard to the employment required to satisfy the work test for that person"*
- 6.3 There is an odd and unhelpful circular reference here. The work test requires welfare benefit recipients to take active steps to find "suitable employment" and "suitable employment" is deemed to be whatever the chief executive and his staff deem to *"satisfy the work test"*. This vagueness creates significant discretion for the chief executive and his staff, and, while this might be helpful especially for those required to administer the Act and its regulations, it does not set clear expectations of what is required of benefit recipients and neither does it define their rights.
- 6.4 The Salvation Army believes that the concept of suitable employment should be defined more precisely both to ensure that expectations and rights are well understood and to make explicit recognition of the rights and needs of children.
- 6.5 The Salvation Army offers the following alternative as a definition of suitable employment for the Committee's consideration. This definition is as follows:
- "Suitable employment in relation to a person, means employment that the chief executive is satisfied is suitable for the person to undertake taking into account*
- that person's child caring obligations,*
  - the availability of reasonably convenient and affordable transport to and from a job,*
  - the availability of reliable and good quality child care during hours of employment, and*

- *the extent of any other unremitted expenses that person will need to meet in order to keep their job*

- 6.6 The Army has serious concerns over the proposed sanctions contained in clause 34 which will be applied to benefit recipients who have additional dependent children. It is difficult to understand the reason for these sanctions and the explanation that the purpose of new sections 60GAE and 60 GAF is *“to improve the financial and social outcomes for families that include people to whom those sections apply by providing earlier access to employment services and expectations while recognising the care and development needs of children.”*
- 6.7 Essentially the effect of proposed section 60GAE is to impose a work test on benefit recipients once their “additional child” reaches the age of one rather than at the age of five for the person’s other children as set out in the proposed amendment to section 60Q. Once again the interests of the children are not recognised in this sanction and it is The Salvation Army’s view that such an omission is a serious mistake.
- 6.8 It is difficult to understand the need for clause 34 of the Bill and for the sanctions and exceptions which this clause seeks to apply. The claimed purpose as cited above does not bear up well to close scrutiny. For example it is difficult to know how financial and social outcomes for a family are improved by providing them with early access to employment “expectations”. It is also difficult to understand how the *“care and development needs of children”* are improved by applying a work test on their parents when a child turns one when such a test is applied to other parents when their child turns five. We believe that this requirement is quite arbitrary, that it is not based on any sound evidence and that it is intended to be punitive and to act as a disincentive for people to conceive children while they are living on a welfare benefit.
- 6.9 The Salvation Army submits that clause 34 be deleted from the Bill

## **7. Conclusions:**

- 7.1 The Salvation Army believes that there is a need for a radical overhaul of New Zealand’s welfare legislation and that this overhaul should be preceded by an extensive public discussion over what is desirable and tolerable as an income safety net for all New Zealanders. We do not believe that the current process of welfare reform will achieve this or that there is widespread public acceptance of the reforms which have been proposed to date. These proposed reforms moreover are piecemeal and will have limited impact on the total financial cost of welfare spending. Something bigger, more imaginative and more inclusive is required in our view.
- 7.2 The Salvation Army would like the opportunity to address the Committee in order to discuss this submission and we hope that such an opportunity is possible.

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## APPENDIX 1: Expenditures on welfare benefits and transfers 2002-2012

\$'s million nominal	2004	2005	2006	2007	2008	2009	2010	2011	2012
New Zealand superannuation	5,889	6,083	6,414	6,810	7,348	7,744	8,290	8,830	9,575
Accommodation supplement	702	750	843	877	891	989	1,154	1,197	1,264
Income related rents	342	373	399	440	474	512	522	553	587
Domestic purposes benefit	1,569	1,547	1,493	1,468	1,478	1,530	1,693	1,757	1,895
Invalids benefit	976	1,026	1,073	1,132	1,216	1,260	1,303	1,306	1,347
Sickness benefit	470	510	541	573	582	613	710	743	782
Unemployment benefit	1,084	831	712	613	458	586	930	943	1,029
Family tax credit or Family Support	833	846	1,285	1,699	2,460	2,646	2,763	2,724	2,735
Total \$'s nominal	11,865	11,966	12,760	13,612	14,907	15,880	17,365	18,053	19,214

Source: New Zealand Government Budgets and Financial Statements