

Newman Weekly

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The New Zealand Centre for Political Debate

Welfare Reform - Perception or Reality?

On Thursday the Minister of Social Welfare announced “the biggest changes to the benefit system in 50 years”. This latest announcement follows a proclamation last February by the previous Minister that the introduction of a single benefit was “the most significant reform of New Zealand's welfare system in seventy years”.

The former Minister promised that a single benefit would be in place by last Christmas, but it soon became obvious that it was simply an election year stunt designed to make people think the Labour Party was serious about welfare reform.

Another of Labour's so-called landmark benefit announcements was the Jobs Jolt package in 2003. That initiative poured over \$100 million into getting youth, sickness and invalid beneficiaries, the long-term unemployed, and mature job seekers into work.

Interestingly, \$100 million and three years later, it is these same groups (youth, sickness and invalid beneficiaries, the long-term unemployed, and mature job seekers) that were the focus of the Minister's announcement on Thursday.

Meanwhile, as at June 2006 - the latest figures available from the Ministry of Social Development - there were 280,299 working age people receiving welfare: 101,641 on the Domestic Purposes Benefit, 75,349 on the Invalid Benefit, 47,072 on a Sickness Benefit, and 39,752 on the Unemployment Benefit.

While there has been a dramatic drop in the number of unemployed over the term of this Labour Government, there has been an equally dramatic 30 percent rise in the number of beneficiaries claiming sickness and invalid benefits. According to a Herald report, doctors and medical groups claim that the increase is due to unemployed beneficiaries signing up for sickness benefits to avoid being work tested, in a

move they say is being encouraged by Work and Income staff tired of trying to find jobs for beneficiaries who are not interested in working.

Since benefit figures are usually posted up on the Ministry of Social Development website quarterly it is rather surprising that the September figures are not available. It has been suggested that this week's announcement was more about creating a smoke screen to deflect attention from another increase in sickness and invalid benefit numbers, rather than being a genuine attempt to introduce real welfare reform.

In fact, in spite of the tough -talk, the Minister's announcement - which makes clear that many of the 'harder hitting' requirements are voluntary - includes changes that will widen benefit eligibility and make welfare even more of a dependency trap, by significantly reducing the stand-down period for people who decide to quit work to go on welfare, by extending the availability of the Domestic Purposes Benefit, and by softening some of the sanctions for non-compliance with back-to work activities.

These moves to make welfare more attractive are completely at odds with the findings of the OECD, which has examined welfare systems around the world and concluded that those that are most effective in getting beneficiaries back into the workforce incorporate work experience, job search and training into programmes that are compulsory and full-time. Further, they recommend that sanctions for non-compliance be stringently applied and that sole parents and the disabled as well as the unemployed should be required to fulfill work requirements.

In other words, they recommend that anyone capable of working be required to participate in full-time back-to-work programmes, which are strictly policed, in return for their benefit.

When the OECD looked into New Zealand's

welfare system in 2005, they found that our rate of sole parents joblessness was far too high. With sole parent welfare dependency regarded as the central cause of child poverty - the risk of children growing up in poverty is three times as high in jobless single-parent families – their urgent recommendation to our government was that sole parents on welfare should be required to work.

Having observed all of these “ground-breaking” welfare changes over the years, I have reached the conclusion that while Labour can certainly talk the talk, they are not prepared to do any more than that. In other words, they are more concerned about perception than results, and the Prime Minister’s recent announcement that she intends to open the doors to Pacific Island workers, rather than require able-bodied New Zealand beneficiaries to get jobs or face losing their benefits, bears testimony to that. This means that our welfare dependency problem is set to get worse, as Kiwi beneficiaries have to compete with Pacific Islanders for available jobs. It may even result in Treasury’s forecasts of 320,000 beneficiaries by 2010 - at a cost of \$10 billion a year (up from \$8 billion a year currently) - being eclipsed.

But it is the destructive effect of long-term welfare dependency that is the most worrying. It is also an issue about which Labour remains steadfastly silent.

When people who are able-bodied become reliant on state welfare in the long-term, not only do they lose their work ethic, but their dignity and confidence are undermined as well. A decline in

personal responsibility leads to the breakdown of values and conduct necessary for the proper functioning of healthy families. It is this ‘behavioural’ poverty, which has created an *underclass* of second and third generation welfare dependent beneficiaries in New Zealand. Their culture exhibits severe social pathologies including child abuse and neglect, violence and crime, drug and alcohol addictions, a lack of educational aspirations and habitual financial mismanagement whereby benefit money is spent on alcohol, drugs, cigarettes and gambling, rather than on family necessities.

It is these issues that Tony Daniels, better known by his pen name of Theodore Dalrymple, has written extensively about. A doctor who has worked for many years in the British prison system amongst the underclass, Tony was recently in New Zealand for a two-week tour sponsored by the “Cradle to Jail” coalition.. I met up with Tony in Auckland to ask him what he would do to address the problems of welfare, crime and the underclass, and our interview is featured as the guest NZCPD commentary this week. His seminal piece “The Frivolity of Evil” is also presented on our NZCPD Articles page.

The poll this week asks whether you think Labour’s latest welfare reform initiative will solve the problem of welfare dependency in New Zealand?

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