



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Prepared for the Welfare Expert Advisory Group

Families and whānau and the benefit system – A high-level initial briefing

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Summary

An overhaul of the benefit system provides an opportunity to review whether the benefit system could better promote wellbeing, and be made more responsive to the needs of families and whānau.

Families, and arrangements for the care of children, are more diverse and fluid than in the past. Māori define their whānau in a range of ways, and see what shapes their wellbeing differently to non-Māori.

Despite differences in definitions and frameworks, studies tracking the wellbeing of families and whānau are clear. While most families and whānau are doing well, some are not. Sole parent families and whānau, and two-parent families with family members who are Māori or Pacific, are more likely than other families to face economic disadvantages.

Sole parent families across all major ethnic groups are facing financial and psychological stresses. This impacts their ability to function well as a family.

These families are more likely than average to need the support of the benefit system.

Several recent studies have asked families and whānau with high service needs how they experience accessing benefits and other services.

For families and whānau in the studies, the level of financial assistance provided through the benefit system was often inadequate. To access support, families and whānau often needed to engage with a number of staff within Work and Income and across different government agencies. While some reported positive interactions, many found the experience unpleasant, time consuming, humiliating and frustrating. The system was seen as complicated. Some families and whānau were not aware of their entitlements and obligations. Some with high need for support had come to avoid engaging with Work and Income and other agencies.

Reforms to financial support for families have changed the adequacy of support and the ease of access.

Eighty years ago, the benefit system was established based on a notion of 'social security'. The aim was to provide security of income to people affected by unemployment, ageing, sickness, disability and widowhood, and (later on) to people parenting alone. A system of main benefits was created based on an assumption that the norm was a male breadwinner receiving a wage that could support a family, and that a woman's primary role was the care of children.

These benefits were generally means tested taking account of the joint income of a couple (and until 1960, joint property). From 1946 the system included a universal (non-means-tested) Family Benefit for each child paid to mothers, which later on was able to be capitalised and paid in advance to parents for a deposit on a home. Family Benefit eroded in value after its introduction. Tax allowances and exemptions became available to supplement the incomes of low-income working families with children. From the 1950s, supplementary benefits grew in importance.

In the last thirty years, the benefit system has undergone a significant series of reforms. The period of rapid growth in unemployment and sole parent benefit receipt that accompanied the economic restructuring of the 1980s and 1990s was an important turning point, and provided the backdrop to the reforms.

Financial assistance for families has become more targeted, and increasingly tied to work and other obligations. Main benefits for families with children have reduced in value relative to prices and wages (recent increases have only partially reversed this decline). The share of support delivered to families through income-tested tax credits, income and asset-tested supplementary assistance, and discretionary payments (which are in some cases recoverable), has increased. The system is now more complex for people to understand, and more difficult to access.

Benefit receipt has fallen from its peak in the early 1990s, but remains above the levels seen prior to the economic restructuring of the mid-1980s.

The proportion of the population receiving a benefit as a sole parent has declined across virtually all working ages. Growth in sole mothers' employment, which has mapped to benefit

and tax system reforms to financial incentives and work obligations, explains much of this decline.

Māori make up 36 percent of all working-age people receiving benefit as a primary benefit recipient. Age standardised rates of receipt are more than three times higher for Māori than non-Māori, and are highest for Māori women. Achieving a benefit system that better promotes wellbeing will make a greater difference to the Māori population.

Changes in parents' employment patterns and in the labour market, together with changes in the benefit system, have reduced the degree to which the system provides income security.

A striking feature of benefit receipt over the last two decades is that the majority of families with children supported by main benefits are sole parent families, and the majority of people without children supported by main benefits are unpartnered.

Increasingly, both partners in two-parent families are in employment. Partnered people affected by job loss often do not qualify for any income support from main benefits if their partner continues to work because of the tight targeting of payments to couples under the joint income test.

For both sole parents and partners in two-parent families, benefit reforms since the early 1990s have also extended stand-down and non-entitlement periods which mean that moving on and off benefit is associated with larger breaks in income.

At the same time, labour market reforms implemented in the early 1990s mean that the New Zealand labour market is highly flexible and income from work is more volatile than in the past. Low paid and insecure employment is more common. Economic downturn results in a greater proportion of people losing their jobs in New Zealand compared to other countries. Full-time employment rates fell by a larger margin for sole parents compared with partnered parents during the Global Financial Crisis (GFC). The GFC also disproportionately impacted the unemployment rates of young people and Māori and Pacific peoples. Even outside periods of economic downturn, flows into and out of unemployment are comparatively high in New Zealand.

A changing demographic context has implications for the benefit system.

A slight lowering in rates of sole parenthood since 2001 and falling birth rates for younger women have both contributed to declining benefit receipt. Māori and Pacific women continue to have higher and earlier fertility than European and Asian women and they are more likely to require support from the benefit system as a parent.

Larger cohorts of young Māori and Pacific people are entering the labour market and will continue to do into the future. Ensuring these young people are able to participate in new economic opportunities requires planning and investment.

Population ageing, low fertility, migration and mobility are all reshaping the access families and whānau have to practical and financial support from other members of their wider family and whānau, and changing their role in providing care and support for others.

An important question is whether the benefit system is fit for purpose in this changed family, labour market and demographic context.

Should the benefit system be reformed and if so how? This requires weighing a number of different trade-offs, costs and benefits, likely implications for the wellbeing of families and whānau, as well as potential unintended consequences with respect to employment or family structure incentives.

This initial briefing begins to bring some of the evidence needed together, and identifies some **possible areas for focus**.

We now have a greater understanding that an inadequate income level harms child development and education and makes care and protection service involvement more likely. It also impacts parents' mental health, and has important associations with children's physical and mental health and inter-partner relationship quality. One possible area for focus is the consideration of these wider implications when examining options for making the package of benefits more adequate and accessible for families who need support, and when examining options for enhancing the role of benefits in ensuring income security for families.

Other possible areas for focus are considering:

- whether main benefits should, as has been done with New Zealand Superannuation, be made more neutral to relationship status
- measures that help sole parent families balance parenting and work
- two-generation approaches to addressing intergenerational disadvantage
- engaging with Māori to identify areas of interest, and to develop and consider options for giving effect to the principles of the Treaty in an overhaul of the welfare system
- whether Section 70A benefit deductions should be removed, and Child Support passed on to benefit recipients
- mechanisms to maintain the value of benefits and abatement thresholds over time
- measures to address problem debt
- the potential role of a rights-based approach to welfare benefit policy for families and whānau and for children
- delivery of services.

Outline

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Part A

Definitions and diversity

Family forms are more diverse than in the past.

Māori define their whānau in a range of ways.

Better data are needed to keep up with changes in the way families and whānau organise and see themselves.

Families continue to be important focus for public policy, whether housing, taxation, health, or welfare-related. Understanding the changing structure and dynamics of family and whānau, as well as their wellbeing, is key to addressing a host of societal concerns.

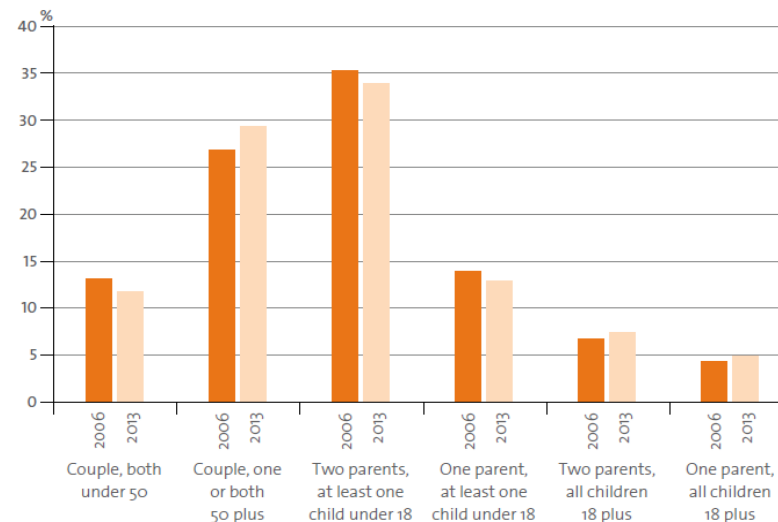
New Zealand families, and arrangements for the care of children, are more diverse and fluid than in the past. While the traditional ‘nuclear’ family of a couple with children remains the most common family type, it has decreased in importance over time as alternative family types such as one-parent families, and couples and single people living without children, have grown more common. As the population ages, families are becoming older and there are relatively fewer families with children under age 18.

Some family types are more common among some ethnic groups than others. For example, older couples without children are more common among families with a European family member (1/3) than other families. Sole parent families with young children make up a much larger proportion of families with Māori and Pacific family members compared with families with European and Asian family members (1/4 compared with around 1/10).

Household and care arrangements differ significantly among families. Māori, Pacific and Asian children are more likely to belong to families with shared living arrangements, including extended family members. This, along with cultural norms and proximity to family networks, all lend to a diversity of family functions, including decisions for childcare (Superu, 2015).

Existing family-level data struggles to capture the diversity of structures and care arrangements. Most official statistics identify families based on the relationships of people living together in one household. This fails to capture care arrangements across households, including situations where the care of children is shared by partners who have separated, or by extended family living in different households. Better data are needed to support the development of policy affecting New Zealand families.

Percentage of families by family type (2006 & 2013) (Superu, 2015, p.25).



(Source: Statistics New Zealand Census of Population and Dwellings)

Family types within each ethnic group (Superu, 2015, p.138).

| | Couple, both under 50 | Couple, one or both 50 plus | Two parents, at least one child under 18 | One parent, at least one child under 18 | Two parents, all children 18 plus | One parent, all children 18 plus |
|----------|-----------------------|-----------------------------|--|---|-----------------------------------|----------------------------------|
| European | 11.7 | 33.1 | 32.8 | 11.2 | 6.8 | 4.4 |
| Māori | 10.3 | 15.1 | 35.4 | 27.8 | 5.4 | 5.9 |
| Pacific | 8.8 | 8.9 | 42.3 | 26.7 | 7.3 | 6.0 |
| Asian | 17.1 | 15.7 | 43.2 | 8.6 | 10.9 | 4.4 |

Source: 2013 Census of Population and Dwellings. Note: Family ethnicity is defined by at least one person in the family identifying as a member of that ethnic group

Whānau are the cornerstone of Māori society. While the literature shows there is no universal or generic way of defining whānau, there is a broad consensus that genealogical relationships form the basis of whānau, and that these relationships are intergenerational, shaped by context, and given meaning through roles and responsibilities (Superu, 2016, p.6).

"Because all Māori belong to a whānau, the potential of whānau for charting lifestyles and, if necessary, modifying lifestyles is high. The exercise of leadership and wise management is critical to effective whānau functioning." (Professor Sir Mason Durie, 2003, p.70)

Māori define their whānau in a range of ways. While whānau often comprise family members across generations and households, whānau is not simply an extended family unit and does not always require kinship ties. The two main models of whānau are whakapapa (kinship) and kaupapa (purpose-driven) whānau. Whakapapa whānau are the more permanent and culturally authentic form of whānau. Both models contribute to building and strengthening bonds of kinship and giving effect to the collective practices of whanaungatanga (whānau support) (Lawson-Te Aho, 2010).

Regardless of diversity, **99 percent of whānau see their whānau in whakapapa terms.** However the breadth of this varies greatly. Just over 40 percent of respondents in Te Kupenga reported that their whānau only consisted of immediate relatives – that is, parents, partner/spouse, brothers, sisters, brothers-/sisters-/parents-in-law, and children.

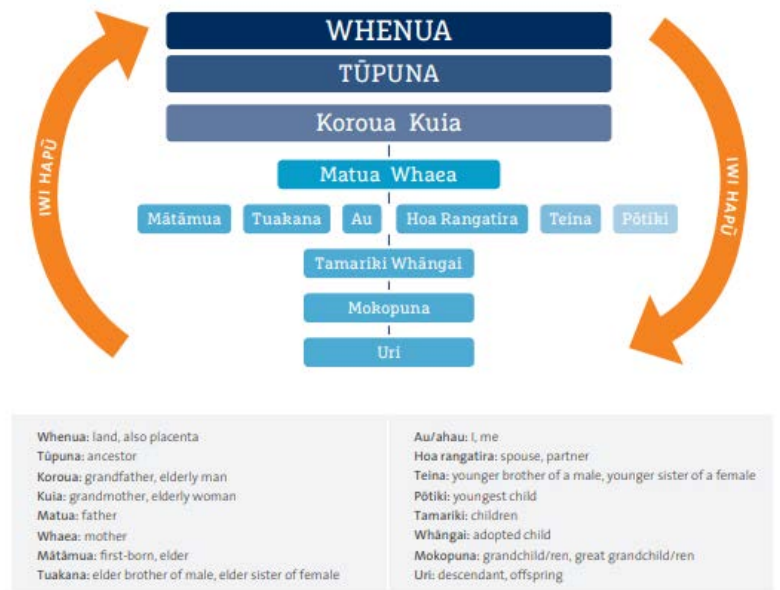
Whānau provide care, identity, and a sense of purpose to Māori.

Compared to non-Māori, whānau are more likely to live in multi-generational households and to provide unpaid childcare, care for someone who is ill, and participate in family activities. Māori may also have rights and interests to communal land and resources through their whakapapa whānau.

Māori and whānau will have a diverse range of experiences and support structures available due to geographic and tribal diversity.

"Whānau sit at the complex nexus between the social configuration of whānau, hapū and iwi, and the philosophical tradition articulated through Māori cultural knowledge, methods and practice. At this nexus 'being Māori' is a lived reality in which whānau negotiate authentic pathways to new futures" (Irwin, et al., 2013)

A relational model of whakapapa whānau (Superu, 2016 summary, p.6).



Part B

The wellbeing of families and whānau

Family and whānau wellbeing are complex concepts to define and measure.

Recent research indicates that while most families are doing well, single parent families are more likely than average to face economic and other disadvantages.

These families and whānau are more likely to need the support of the benefit system.

Māori see what shapes their wellbeing differently to non-Māori.

By their nature, family and whānau wellbeing are difficult concepts to conceptualise and measure. The most comprehensive efforts to define and measure these ideas for the New Zealand context have been by Superu (formerly the Families Commission). Superu has developed family and whānau wellbeing frameworks, and has, in the case of family wellbeing, tried to measure contributing factors that can help or hinder family functioning. Information on these frameworks can be found in Superu (2014) and Superu (2015).

Family wellbeing. While most families in New Zealand report good levels of wellbeing and satisfaction with their standard of living (Superu, 2015), a significant minority experience serious economic and social disadvantages making them more likely to need the support from the benefit system.

Sole parent families experience disadvantage at much higher rates and are more likely to have many life areas affected at once. Sole parent families face disproportionate levels of disadvantage across a number of life domains, including employment, physical and mental health, education, income, home ownership, and housing affordability.

Superu research on multiple disadvantage has found half that of sole parents have three or more life areas in disadvantage at once compared with 18 percent of all adults (Superu, 2017a). Food security is an issue for sole parents with 40 percent reporting not being able to afford to eat properly compared with just 16 percent of couple families. Sole parents have a rate of measured psychological distress that is almost double the rate for all adults in families (11 percent vs. 6.8 percent).

Proportion of adults with no disadvantages and three plus disadvantages by family type (2006 & 2013) (Superu, 2017a)

| Family type | No disadvantage (%) | Disadvantage in three plus life areas (%) |
|--|---------------------|---|
| Couple, both under 50 years | 50.6 | 8.0 |
| Couple, with at least one child <18 | 41.5 | 12.5 |
| Sole parent, with at least one child <18 | 11.5 | 49.5 |
| Couple, one or both is 50 years or older | 34.8 | 14.2 |
| Total adults | 35.6 | 17.6 |

Māori and Pacific couples with young children face economic challenges but have strong relationships and connections. The 2016 Families and Whānau Status Report found these families face challenges in regards to economic security, employment, and skills development but were assisted by strong social support networks. Social connectedness is a key strength for these families (Superu, 2016).

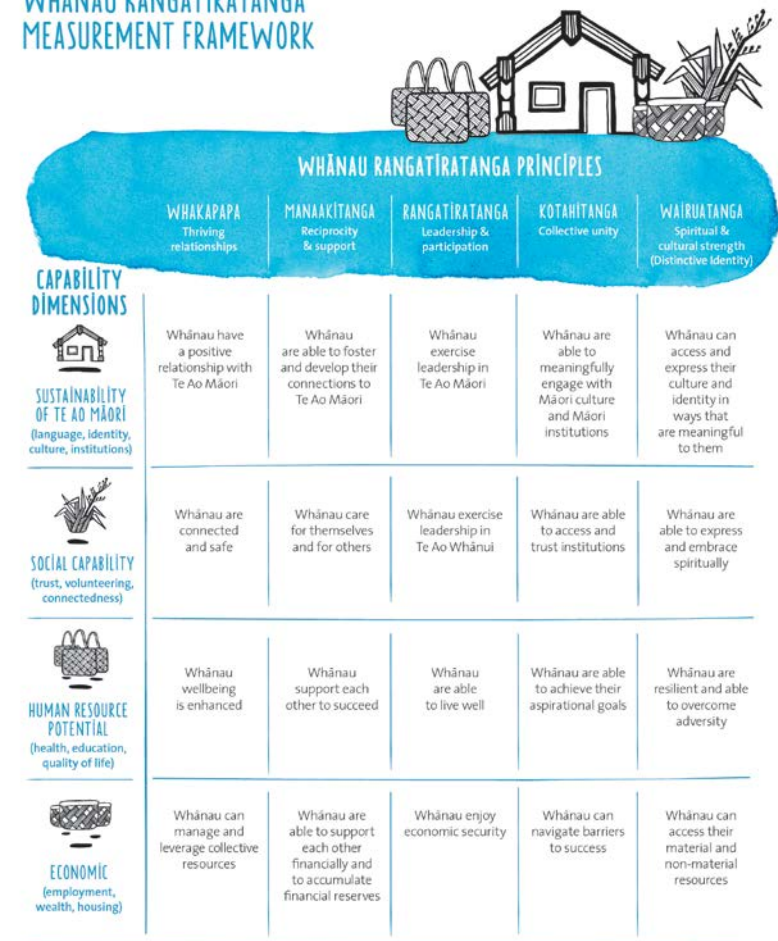
Whānau wellbeing. Since 2015, Superu’s Family and Whānau work programme has reported whānau wellbeing data across seven whānau types mapped to the Whānau Rangatiratanga Measurement Framework to understand whānau wellbeing.

A key challenge for the benefit system is how to better enable whānau wellbeing, relationships and connectedness. In its 2015 report, Superu identified significant percentages of Māori who do not have a strong connection to their tūrangawaewae and who have not visited their ancestral marae (Superu, 2015). Issues of limited access to distant rural marae and limited involvement with that location and its cultural heritage may be linked to the urban drift of Māori. Meredith (2015) reports that in 2013, 84 percent of Māori lived in urban centres, and “many have come to regard themselves as ‘urban Māori’.”

Nevertheless, six out of seven whānau types had high percentages of whānau reporting that they had at least one family member who knows their iwi, and smaller percentages had at least one speaker of te reo Māori in the family. There were low levels of trust in people, in police, in courts, and in the health and education systems across all whānau types. In particular, for single-parent whānau with at least one child under 18, only 14 percent reported trust in people.

Quality of whānau relationships is the most important factor shaping whānau wellbeing. In its 2017 report, Superu identified two measures as most significant for whānau wellbeing – the quality of interpersonal relationships (individuals’ perceptions of how well their whānau get along and the level of whānau support) and individual life satisfaction and feelings of loneliness. Those who thought their whānau got on very well were about six times more likely to report very high whānau wellbeing than those who felt that their whānau got on badly/very badly. Nearly one-third of the latter group assessed their whānau wellbeing as being very low (Superu, 2017b; Kukutai, Sporle and Roskruge, 2017).

WHĀNAU RANGATĪRATANGA MEASUREMENT FRAMEWORK



See Kukutai, Sporle and Roskruge, 2017, p20.

Full briefings on the whānau wellbeing research programme can be provided.

Part C

How families and whānau with high service needs experience the current benefit system

Several recent studies have asked families and whānau with high service needs how they experience accessing benefits and other services.

For families and whānau in the studies, the level of financial assistance provided through the benefit system was often inadequate.

To access support, families and whānau often needed to engage with a number of staff within Work and Income and across different government agencies.

While some reported positive interactions, many found the experience unpleasant, time consuming, humiliating and frustrating.

Some were not aware of their entitlements and obligations. Some with high need for support had come to avoid engaging with Work and Income and other agencies.

A series of **recent studies have asked families and whānau about their experiences** when accessing services, including welfare benefits. The studies range in size, duration and location. They include:

- interviews with 43 at-risk families and whānau in South Auckland (Pipi and Torrie, 2018)
- the *E Hine* study which followed 43 young Māori mothers in Wellington and Hawkes Bay from pregnancy until their child was two (Cram, 2018)
- engagement with 100 families living in poverty in Auckland over the course of a year (Auckland City Mission, 2014)
- a study that drew on the voices of Tūhoe and South Auckland whānau to better understand resilience and strength in the face of financial hardship and adversity (Baker, Williams and Tuuta, 2012)
- a study involving interviews and focus groups with 40 at-risk mothers, mainly sole parents, participating in education and training in Whangarei, South Auckland and Gisborne (Ministry for Women, forthcoming).

All focussed intentionally on people with the highest needs for services. Themes were consistent across the studies.

For families and whānau in the studies, the level of financial assistance provided through the benefit system was often inadequate. While in receipt of a benefit, families and whānau continued to experience significant poverty and hardship and reported that their income did not cover basic living expenses. Unexpected expenses such as medical bills or car repairs could increase families' income insecurity, as could infrequent and irregular work opportunities, with stand-down and re-application requirements causing breaks in income flows when moving between benefit and work.

Families often sought additional assistance from Work and Income to cope with financial shortfalls. However some families and whānau were reluctant to seek further Work and Income entitlements to fill budget gaps, preferring to ask for support from family or their local community or marae, or use fringe lenders, pawnshops and food banks. The reasons for this varied: a fear of judgement from Work and Income staff, difficulty obtaining an appointment at short notice, or the levels of documentation and budget

"The money that we get from the government, people say we can budget and live on it, but, realistically, it's not enough. You can try so hard to budget, but you come to a stage where you can't do much and we can't keep running back. I hate coming to food banks and I hate going to WINZ, but what can you do? There is no choice. You gotta do something to survive. My girls have gone for two days without food, two straight days, and the effects of having no food, on them, is they sleep, they're weak and that's because they're lacking the basic essentials of daily life." (Auckland City Mission, 2014, p.32).

"After rent there's not much left. It's hard to budget to put food on the table by the end of the week. Sometimes all that is left is noodles." (Ministry for Women, forthcoming).

"I receive \$386 per week. The rent itself is \$380. The simple fact is when the expenditure exceeds the income, I'm in trouble. That is basically why I am reliant on charity... The option here is borrow, which I have done, heavily in debt. Friends, families and no-one wants to be a friend anymore. And rightfully so." (Auckland City Mission, 2014, p.4).

surveillance involved. Reliance on family and friends or credit lenders for financial support can strain relationships and increase problem debt. Cutting back grocery spending and going hungry and not heating their homes were ways some families coped with budget stresses.

To access support, families and whānau often needed to engage with a number of staff within Work and Income and across different government agencies.

Managing these multiple interactions could be difficult and time consuming, and this was exacerbated by a lack of consistency. Families often needed to repeatedly provide important information or documentation to “retell their story” (Auckland City Mission, 2014, p36), or experienced inadequate responses and a lack of follow-through meaning multiple approaches were needed before help was given (Pipi and Torrie, 2018). While some families were able to successfully navigate this complexity and access support, others came to avoid engaging with Work and Income and other support agencies.

While some reported positive interactions with Work and Income, many found the experience unpleasant and frustrating.

Many of the families and whānau interviewed reported feeling humiliated and judged in their interactions with Work and Income. The hassle required to obtain appointments and gather required documentation, together with a lack of basic client amenities at service centres, can leave people feeling their time is not respected or valued. The move away from individualised case managers added to people’s feelings of dealing with a de-personalised service.

“We hear time and time again that people feel the service systems designed to support those living in financial hardship are actually preventing them from moving forward. We also hear that the complex support service landscape is not meeting the needs of many people. It’s time consuming and dehumanising to engage with, and it reinforces a lack of self-esteem and self-worth in those who are forced to navigate it.” (Auckland City Mission, 2014, p.36).

For whānau, a lack of cultural literacy among Work and Income staff was a major theme in research undertaken by Baker, Williams and Tuuta (2012). In many cases this could prevent Work and Income from intervening early with whānau, leaving them vulnerable to further hardship. “As whānau are often in a high-stress and vulnerable situation,

“..WINZ [is] the last resort otherwise they try and pull out my bills and see what I’m paying and stuff and then I tell them and they’re like, “Why do you do this? Why do you do that?” (Cram, 2018, p.8).

“I just go there because I have to. They just write down where all your money goes and come up with the conclusion you’re short. Well, I already know I’m short. But WINZ doesn’t care – they get the budget report and still they see that there’s not enough each week, but it doesn’t matter, they just want that bit of paper to prove it...” (Auckland City Mission, 2014, p.35).

“WINZ stresses me out – I feel like I’m being judged – it’s not like I want free money, I’m doing it because I have to, I’m doing it for my daughter and the more work I do the more dollars are taken off me” (Ministry for Women, forthcoming).

“WINZ doesn’t have systems for Māori that are adequate. There is nowhere to do a karakia. You have 30 minutes to get through what your family needs and that’s when you have to pretend that you’re not Māori to get a result. It is a public place where a lot of people are there each day, waiting, so you would think that you

levels of cultural literacy can either encourage or discourage whānau from seeking support.” (Baker, Williams and Tuuta, 2012, p.154).

Some were unaware of entitlements and obligations. Families and whānau often described being unaware of Work and Income assistance they were eligible for, or instances where entitlements were not offered. In other cases, people had been unaware of the administrative requirements of accessing assistance, presenting for appointments without necessary documentation, eg spending receipts (Baker, Williams and Tuuta, 2012).

The studies highlighted the importance of a “navigator” for some families and whānau in helping them access and co-ordinate support from Work and Income and related agencies. Such support people could be designated frontline staff, social workers, family or community members. For whānau interviewed by Baker, Williams and Tuuta (2012), staff from Manukau Urban Māori Authority (MUMA) served a key role in advocating for whānau and ensuring access to information and entitlements.

It is important to re-iterate that these studies focussed on clients with high service needs. A 2014 study of client perspectives on the Welfare Reform changes included brief interviews with 100 clients from a wider range of circumstances as they finished their appointments with Work and Income, and in-depth interviews with 40 clients who had or were currently receiving some level of employment-focussed case management. In this study, interviewed clients made a variety of comments on Work and Income services, from very positive to very negative. Overall, positive comments were more common than negative comments. Clients who had been able to build a relationship with a single case manager were the most positive about their experience.

“Often clients associated positive outcomes with the efforts of their case manager and negative outcomes with Work and Income as a whole. They saw their case manager as making efforts on their behalf but being constrained by the rules of the system.” (Malatest International, 2014, p.30).

This study did not ask about the adequacy of financial assistance.

would have a toilet available but you have to go elsewhere. (Baker, Williams and Tuuta, 2012, p.109).

“There was one time my power was cut off for a whole year. I didn’t know that WINZ would help with these payments.” (Baker, Williams and Tuuta, 2012, p.15).

“...[WINZ] can be ruthless about like stopping the benefit and not telling us and saying they sent a mail but we don’t get it till the day after they stopped it”. (Cram, 2018).

“You’ll find out later that you could have been entitled to other benefits ... they send you any changes by email, and you can do a lot online, but it’s confusing and I keep having to fill out forms” (Ministry for Women, forthcoming).

“I would have frozen this year if it hadn’t been for MUMA. It had to be through MUMA to go to WINZ so I could get my wood. If you go with MUMA to WINZ you get help, otherwise you get nothing.” (Baker, Williams and Tuuta, 2012, p.15).

Part D

The history of financial assistance for families

Over the last three decades, financial assistance for families has become more targeted, and increasingly tied to work and other obligations.

Main benefits for families with children have reduced in value relative to prices and wages – recent increases have only partially reversed this.

The share of support delivered to families through income tested tax credits, income and asset tested supplementary assistance, and discretionary payments, has increased.

Over long periods, the value of Accommodation Supplement reduced relative to housing costs, and the real value of tax credits reduced.

The system is complex for people to understand and difficult to access.

The 80 years from 1938 saw first the establishment and expansion of a system of financial assistance for families in New Zealand, and then a period of retrenchment and increased targeting and conditionality.

The period of **establishment and expansion** began with a move in 1938 from piecemeal and discretionary provision that aimed to ensure all those with the ability to work were given no support, to a system of income-tested main benefits based around the assumption of a model family form – a male breadwinner in a family with children. This was followed in 1946 by the introduction of a universal Family Benefit for children. From 1951, use of targeted supplementary assistance to meet particular needs increased. Tax allowances and exemptions for working families with children became available.

In 1973, the system was further expanded in response to social change with the introduction of a statutory income-tested benefit for women caring for children on their own, based on the assumption that their primary role was the care of their children. Benefit rates were re-set to a level that aimed to ensure that beneficiaries were able to participate in and enjoy a sense of belonging to society. This was a time of full employment. A highly protected economy and high levels of state employment had kept demand for benefits low.

From 1973, the country faced a combination of economic problems. Unemployment increased rapidly. From 1984, a series of wide-ranging economic reforms shifted New Zealand from being one of the most regulated countries in the developed world to one of the least regulated, and opened the economy to international market forces. Job-loss was large-scale.

Unemployment grew to a peak of 10.9 percent in 1992. A rise of spending on social security benefits – from 18 percent of the government budget in the early 1970s to 29 percent in the late 1980s (inclusive of retirement benefits) – provided the background to the initiation of the reforms that followed.

The period of **retrenchment and increased targeting and conditionality** included a shift in 1991 to remove any universal provision in family assistance – Family Benefit, which had eroded in value, was abolished. Benefit cuts reduced the level of support provided through main benefits. Annual adjustment relative to prices when real wages were growing meant main benefits eroded in value relative to wages in the period since.

The share of income support that families were intended to receive via targeted tax credits, and from asset- and income-tested supplementary benefits and discretionary payments (which are in some cases recoverable) increased. Over long periods, the real value of these payments eroded because either they were not adjusted or entitlements were lowered. Complexity grew.

From the 1990s, there was a renewed focus on employment and financial incentives to work. Work-related obligations for those receiving unemployment benefits strengthened, with new sanctions and benefit stand-downs. For sole parents receiving benefits, there was a move to first implement measures that reduced financial and educational barriers to work, and then to require planning for work or job seeking as a condition of benefit receipt with sanctions for non-compliance. Despite variation in emphasis over time, the general direction has been to strengthen work expectations for sole parents and partners of benefit recipients in line with wider changes in women's employment.

Further reading:

Mackay, R. (2003). *Remaking the Welfare State in New Zealand*, in Neil Gilbert and Rebecca A Van Voorhis (eds), *Changing Patterns of Social Protection*. Transaction Publishers. Off-print available from secretariat.

Belgrave, M. (2012). [*Social Policy History: Forty Years on, Forty Years Back*](#). Affording our Future Conference, Wellington.

Cotterell, G., St John, S., Dale, M.C. and So, Y. (2017). [*Further Fraying of the Welfare Safety Net*](#), Child Poverty Action Group.

Very recent reform packages have included elements that broke the trend towards retrenchment and increased targeting.

The **Child Material Hardship Package** implemented in 2017 included increased childcare support for low-income families, an increase in benefit rates for families with children, and an increase in Working for Families payments to low-income families not on a benefit.

Other elements in this package continued the trend towards increased conditionality – strengthened work obligations for sole parents and partners on a benefit brought the age of youngest child at which they were required to be available for part-time work down to three from five years, and increased the number of hours those with part-time obligations were expected to be available for work from 15 to 20.

The **Families Package** implemented in 2018 includes ‘Best Start’ which re-introduces a payment on a universal basis for families with a child aged under one (also available on an income-tested basis until the child’s third birthday). The package increases Working for Families tax credits and raises their abatement thresholds, and introduces a Winter Energy Payment for families in receipt of main benefits. The maximum amounts and the make-up of the Accommodation Supplement areas have been updated for the first time since 2005 to better reflect the cost of housing.

The Families Package is projected to reduce the number of children in poverty by 48 percent (defined as households with incomes less than 50 percent of the median equivalised household income, before deducting housing costs).

Alongside reforms to financial assistance for families, in the early late 1980s and early 1990s:

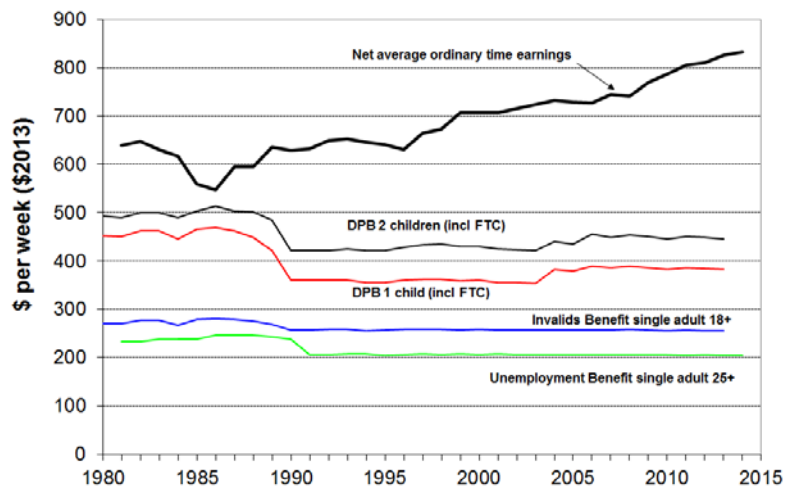
- Subsidies for GP charges were increased for low-income people and reduced for others. Access to the subsidies was by means of a Community Services Card – this entitled users to higher GP and prescription subsidies.
- Means-tested student allowances replaced bursaries, which had covered fees and living costs. The means test included a parental income test for students aged under 20 years of age. Fees increased, and a student loan scheme, through which students could borrow money for fees and living costs, was introduced.
- A new Child Support Scheme was introduced.
- An existing Child Care Subsidy was refocused and targeted to low-income groups.

Increased targeting across health, education, and the benefit and tax credit systems resulted in overlapping withdrawal of state assistance with increasing income, and potential for poverty traps where people lose more income than they gain from increasing their earnings from work.

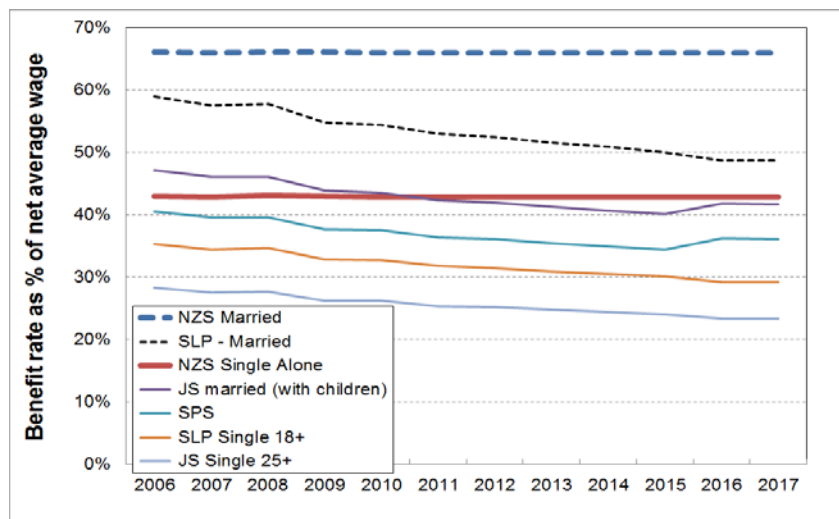
A project to integrate abatement did not proceed and this problem remains unresolved (Mackay 2003). For new cohorts of labour market entrants, the problem is compounded by student loan debts and Child Support obligations. It is also intensified by growth in recoverable hardship assistance which creates debts that are repayable at a higher rate once income increases.

The 1991 budget restricted entitlement of younger people to benefits. Together with the changes to tertiary student allowances, these changes lengthened the years of dependence of young adults on their families.

Since the 1980s, the real value of benefits plus Family Tax Credits has fallen relative to net average ordinary time weekly earnings



The 2016 increase in benefit rates for families with children partially improved relativities



(Perry, 2017, Figures C.8 and C.9D)

Benefit rates are adjusted each year in line with price movement. There is no routine adjustment of thresholds for abatement.

New Zealand Superannuation (NZS), paid universally from age 65, is adjusted in line with price movement and movement in wages.

The rate at which unemployment benefits replace income when in work, taking into account taxes and family tax credits, is low compared with other OECD countries in the first year of unemployment, but high compared with other countries for the long-term unemployed.

In most other countries, support in the first year is higher as a result of time limited unemployment insurance, and then falls as people move onto other payments (OECD, 2017, p72).

A chronology of the main changes

Before 1938:

Motivations: provide for the 'deserving poor'; ensure all those with the ability to work were given no support (Belgrave; 2012).

Before the 20th century there was no government support for families in financial difficulty. People who were unemployed or in need had to rely on relatives, their community, or charities. Public debate led to a means-tested old-age pension in 1898, followed by a targeted widows' pension in 1911 for poor mothers of 'good character'. Pensions for war veterans and their widows, and remittance payments for women separated from their soldier husbands, were introduced during the First World War. While Māori had access to these pensions, they often received lower payments based on assessments of their property ownership and material needs. 'Asiatics' were excluded from the old-age pension whether or not they were naturalised New Zealanders until 1936. From 1927, a means tested Family Allowance was payable in respect of third and subsequent children aged under 15 years. Unmarried mothers, 'aliens, Asiatics and the morally disreputable' were excluded. The scheme gave limited help to a relatively small number of families. A means-tested pension for deserted wives was introduced in 1936. However, a woman had to take proceedings out against her husband to qualify for the pension and, if he was traceable, he was bound to pay maintenance.

1938: The Social Security Act

Motivations: provide benefits designed to safeguard from disabilities arising from age, sickness, widowhood, orphanhood, and unemployment; provide other benefits as may be necessary to maintain and promote the health and general welfare of the community.

The Social Security Act 1938 established means-tested benefits for people who were unemployed or sick, and for low-income families. New cash benefits included Sickness, Unemployment, Orphans, Superannuation and Emergency Benefits. The Age Benefit, Invalid's Benefit, Widow's Benefit, Miner's Benefit, Māori War Benefit and Family Benefit replaced the Old Age Pension, Blind Pension, Widow's Pension, Miner's Pension, Military Pension and Family Allowance respectively. The income exemption for Family Allowances was increased and eligibility extended to include 'aliens, Asiatics and illegitimate children'. A 'family wage' which provided married men with sufficient earnings to support a wife and three children had been enshrined in labour legislation in 1936. Government also contributed to the financial welfare of families through policies that protected the New Zealand labour market, including restrictions on imports and immigrant labour, price controls and centralised wage setting. While the Social Security Act 1938 did not explicitly discriminate against Māori, the provision for the payment of benefits at a lower rate 'if the maximum benefit is not necessary for the maintenance of the beneficiary' allowed officials to pay Māori less citing their communal living. This was outlawed in 1945.

1946: The universal Family Benefit

Motivations: increase birth rates; ease women out of jobs they had taken up to support the war effort; preserve and promote the nuclear family.

In 1946 universal Family Benefit replaced means-tested family allowances, with every mother receiving some money each week to spend on her children. This meant that all families with children under 16 were now part of the social security system. They were well supported relative to other beneficiaries. Between 1945 and 1960 parents living on a mid-range wage with two children would receive through Family Benefit payments and income tax relief about 50 percent of what a single old-age pensioner received. 1958 and 1964 Family Benefits (Home Ownership) acts allowed Family Benefits to be capitalised and paid in advance to parents as deposits on home. This, and subsidised mortgages, contributed to high home ownership rates.

1951: Supplementary assistance

Motivation: better meet the needs of the people according to their individual circumstances.

The introduction of a 'supplementary assistance' scheme added a more targeted approach to benefits, with additional payments and other support assessed on a case-by-case basis. By 1971 the scheme accounted for 9.9 percent of total benefits.

1954: Re-enactment of the Industrial Conciliation and Arbitration Amendment Act

The re-enactment omitted the requirement for male wages to be set at a level that would allow a worker to support a wife and three children.

The application of a family wage eroded over time. In 1951, the Arbitration Court specifically repudiated the clause of the Industrial Conciliation and Arbitration Amendment

Act 1936 that stipulated that “the basic rate of wages for adult male workers ... shall be sufficient ... to enable a man in receipt thereof to maintain a wife and three children in a fair and reasonable standard of comfort”. This clause was subsequently quietly omitted from the 1954 re-enactment. Family benefits, and tax rebates for families with children, offered other means of meeting the needs of workers with families.

1973: The statutory Domestic Purposes Benefit (DPB) and the response to the Royal Commission of Inquiry into Social Security

Motivations: respond to social change; provide financial support for sole parents to stay at home to care for their children; benefit levels that promote ‘participation and belonging’.

In 1972, a Royal Commission of Inquiry argued that ‘overriding values’ such as the ‘welfare and dignity of the human person’ should serve as the basis for public policy and recommended a rise in both married and unmarried rates. The Commission’s core principle was that the state should ‘ensure ... that everyone is able to enjoy a standard of living much like that of the rest of the community and thus is able to feel a sense of participation and belonging to the community’. In line with this principle, it also recommended that the system adapt to ‘the changing pattern of society’ by making a benefit for domestic purposes a statutory entitlement. In response, the statutory DPB was introduced (note that discretionary support only granted on the grounds of hardship and taking into account individual circumstances had been available since 1968). With the DPB, improvements in the adequacy of benefit income aimed at supporting sole parents as full-time caregivers had the effect of reducing incentives to maintain attachment to the labour force. Applicants for the DPB continued to be required to seek maintenance from the father of her children as a condition of receiving State support. This policy continues in the requirement to name the liable parent under Section 70A of the Social Security Act. In 1972, the government had responded to other recommendations of the Royal Commission by increasing most benefits and changing the provisions for income tests.

1983: The Training Incentive Allowance (TIA)

Motivation: enhance employment prospects of sole parents on benefit through education and training.

In 1980 the Department of Social Welfare commissioned a small qualitative survey to identify the factors affecting sole mothers’ employment which found that sole mothers in paid employment were better educated and more highly skilled than those not in employment. This study was instrumental in the establishment of TIA. It was payable to DPB, Widow’s and Invalid’s Benefit recipients. Access to TIA for tertiary study ended in 2009.

1984: Income-tested Family Care payments

Motivation: reduce the impact of the wage-price freeze on low-income working families.

While Social Security benefits had been regularly adjusted for inflation, a wage-price freeze, instituted in 1982 and that ran until 1984 as an attempt to stall rampant wage-price inflation, had depressed the value of real wages and the incomes of low-wage families were not dissimilar to those receiving the Unemployment Benefit. Family Care introduced income-tested payments for low-income non-beneficiary families where parents worked at least 30 hours per week. This was seen as an interim response, pending the development of a comprehensive tax credit scheme for both beneficiaries and working families.

1986: Income-tested Family Support

Motivations: compensate low-income families for the regressive effects of GST and a flattened tax structure; increase the margin between the incomes of benefit recipients and full-time earners.

In 1985, a five percent increase to all benefits and a new package of family assistance for low- and middle-income earners was announced. A new income-tested tax credit scheme, Family Support, was introduced in 1986 for both working families and beneficiaries. Assistance was also targeted to families in work through an additional tax credit (Guaranteed Minimum Family Income). This was paid in addition to the \$6 a week Family Benefit, which had significantly declined in real value. It had never been indexed and had only very irregularly been reviewed. Where the rate was equivalent to 25 percent of the single unemployment benefit in 1945, this had eroded to seven percent by 1985.

1991-1993: Benefit cuts and other reforms

Motivations: reduce fiscal costs; promote work incentives; promote self-reliance; benefit levels that provide a safety net set at a modest standard.

In 1991, major cuts to entitlements in most benefit categories reduced the income of most beneficiaries by around 10 percent; some lost nearly 25 percent. The new level was set in relation to an ‘income adequacy standard’ which was based on estimates of minimum requirements for food and living expenses. This departed from the principle

of relativity which had guided government policy since 1972. Universal Family Benefit payments were ended, their value added to means-tested Family Support. New stand-downs were introduced, and new work-related obligations and sanctions for non-compliance were introduced for Unemployment Benefit recipients. An existing Childcare Subsidy was refocused and targeted to low-income groups. 'Community Services Cards' were introduced for low-income people – these entitled users to higher GP and prescription subsidies. In 1993, subsidised rental accommodation and housing loans from the Housing Corporation, and financial assistance for beneficiaries through an accommodation benefit, were replaced by Accommodation Supplement.

1996,1997, 1999: Dual abatement and new work obligations

Motivations: help more people get into paid work; increase the rewards from paid work; improve lifetime rewards from training and education; boost the income and future prospects of low- and middle-income families with dependent children.

In response to the recommendations of the Prime Ministerial Task Force on Employment, dual abatement was introduced in 1996 in an effort to promote part-time employment of DPB, and Widow's and Invalid's Benefit recipients. People receiving these benefits could continue to receive more of their benefit while working. Work obligations for DPB and Widow's Benefit recipients and partners of other benefit recipients with no children or older children were introduced in 1997 and strengthened in 1999. Sanctions applied to those who did not comply. Access to dual abatement was aligned to work expectations.

2003: Personal Development and Employment Planning

Motivations: increase flexibility to take account of the complexity of sole parents' lives and the demands of balancing work and parental responsibilities.

In 2003 the new government stopped the requirement for parents on the DPB and Widow's Benefit to seek work. It introduced a facilitative Enhanced Case Management approach to promoting employment that drew on the COMPASS model – this was a voluntary programme to facilitate sole parents' entry into education, training and employment which had been piloted in 1994 and implemented nationally in 1995. The reform reduced the number of clients seen by each case manager. Clients were required to participate in Personal Development and Employment Planning, with sanctions for non-compliance. From 2007 more discretion to not require planning, or to require participation in activities that would increase readiness for work, was introduced as part of the Working New Zealand reforms. In a prior reform in 2002, assistance aimed at increasing the supply of viable, quality Out-of-School Care and Recreation (OSCAR) programmes had been made available.

2004-2007: Working for Families

Motivations: make work pay; ensure income adequacy and reduce child poverty; make sure that people get the assistance they are entitled to.

The Working for Families programme gave increased income support to low- and middle-income families mainly through tax credits to working parents, and increased Childcare Subsidies (for both pre-school and school-aged children) and the Accommodation Supplement. The programme was accompanied by a campaign to build awareness of these payments and increase uptake. Outside of Working for Families but implemented at the same time, 20 hours free early childhood education for 3-4 year olds was introduced in 2007. Although the fees charged by many centres exceeded the maximum subsidy, this substantially improved state support for early childhood education.

2008: ReStart

Motivation: provide additional short-term financial support to families affected by redundancy.

As part of the Government's response to the Global Financial Crisis, a two-year transitional package ReStart was introduced. It included short-term assistance for families with children no longer eligible to receive in-work tax credits because of redundancy, and additional short-term assistance above the maximum Accommodation Supplement available. In effect, the package was an acknowledgment that the system no longer achieved the goal of providing income security to families affected by job loss.

2010: Future Focus

Motivations: reinforce the expectation that people who can work should work; a welfare system that is fair for those receiving the assistance as well as to taxpayers.

Part-time work obligations for DPB recipients with children aged six or over were re-introduced with graduated sanctions. Those with younger children were required to complete Employment Plans which were not to include goals related to personal or social wellbeing. Reinforced job seeking obligations were introduced for those on unemployment benefit. The previous negotiated Job Seeker Agreement for work-tested beneficiaries was removed. From this time, a person receiving a work-tested benefit

could be directed to a specified work-related activity with sanctions for non-compliance. Abatement thresholds were lifted for those encouraged to work part-time. New expectations and activity requirements were introduced for frequent applicants for hardship assistance, including undertaking budgeting activities.

2012: Changes to Working for Families

Motivations: better target Working for Families to lower income earners, and ensure its cost remains sustainable into the future.

Over time, the changes would lower the abatement threshold to \$35,000 (from \$36,827 in 2011), increase the abatement rate from 20 to 25 cents in the dollar and reduce Family Tax Credit payments for children aged 16 years to levels paid for those aged 13 to 15. Inflation adjustment was applied for other rates. The effect of the changes was to reduce real spending on Working for Families over time.

2012-13: Welfare Reform

Motivations: a more work-focused system which expects and rewards independence; an investment approach that focuses resources where returns are greater; reduce the costs of long-term benefit dependency through early intervention; modernise and simplify.

Welfare reform further strengthened work and work preparation expectations for sole parents. It included provision to reset work expectations to their former level after one year for parents having a subsequent child while on benefit, and introduced new social obligations relating to children for parents receiving benefits. Welfare assistance for young parents was reformed to discourage early reliance on welfare receipt and provide wrap around support aimed at improving social outcomes for teens and their children, including money management. Benefit categories were revised. A dual abatement scheme continued to apply. Under a new Service Delivery Model, the intensity of service a person received depended on how much support they needed to find a job. Four levels of support were provided: work-focused case management; work-search support; general case management; and self-service. Introduction of an investment approach changed the way that MSD operated and funded interventions, and increased the focus on trialling new approaches.

2014: Social Security (Fraud Measures and Debt Recovery) Amendment Act

Motivations: combatting welfare fraud.

New provisions strengthened the approach to relationship fraud by making spouses and partners, as well as beneficiaries, accountable for fraud.

2016: Child Material Hardship Package

Motivations: provide more support to low-income families with children; ensure there remains a strong incentive for parents to move from welfare to work.

This package included increased work obligations for sole parents and partners on a benefit, bringing the age of youngest child at which they were required to be available for part-time work down to three from five years, and increasing the number of hours those with part-time work obligations were expected to be available for work from 15 to 20. It also included more childcare support for low-income families, a \$25 a week increase in benefit rates for families with children, and an increase in Working for Families payments to low-income families not on a benefit.

2018-9: Families Package

Motivations: boost the incomes of low- and middle-income families; help families with costs in a child's early years; reduce child poverty.

This package increased the incomes of low- and middle-income families by increasing the Family Tax Credit and raising its abatement threshold and introduced a 'Best Start' payment on a universal basis for families with a child aged under one and on an income-tested basis until the child's third birthday. It introduced a Winter Energy Payment for families in receipt of main benefits. Accommodation Supplement increased – maximum amounts and the make-up of the Accommodation Supplement areas were updated for the first time since 2005 to better reflect the cost of housing and assist many beneficiaries, superannuitants and lower-income working families to meet their rental, board or mortgage payments.

Sources: McKenzie, (2018); Garlick (2012); Goodger (1998); Goodger and Larose (1999); *Te Ara – The Encyclopedia of New Zealand*; Mackay (2003); Cotterell, St John, Dale and So (2017); Beehive Press Releases and MSD Regulatory Statements for reforms 2010 onwards.

Part E

Changes in families' benefit receipt

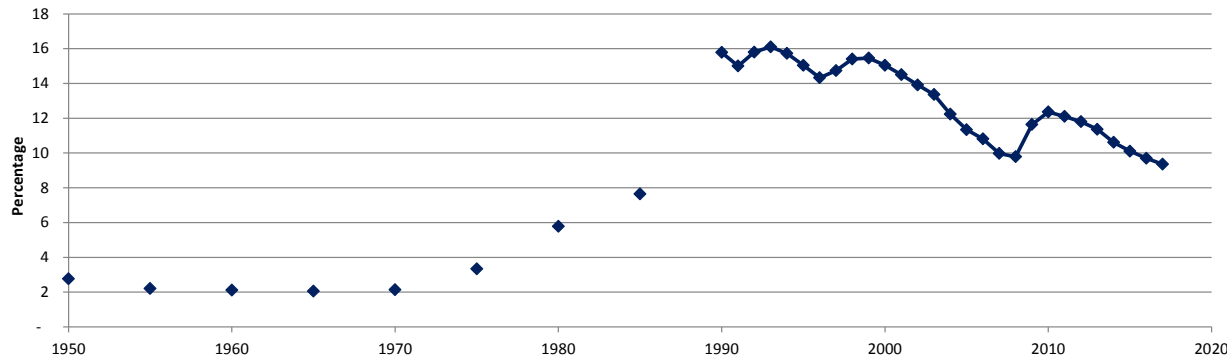
Receipt of main benefits in the population has fallen from its peak but remains above the levels seen prior to the economic restructuring of the mid-1980s.

Today, the majority of families with children supported by main benefits are sole parent families. The majority of people without children supported by main benefits are unpartnered.

The proportion of women and men in the population who receive a benefit as a sole parent has declined since 1997 at virtually all working ages.

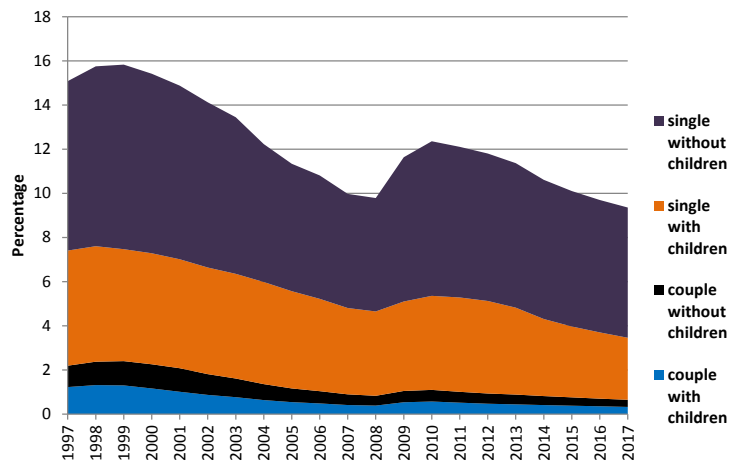
Māori make up 36 percent of all working-age people receiving benefit as a primary benefit recipient. Age standardised rates of receipt are more than three times higher for Māori than non-Māori. Achieving a benefit system that better promotes wellbeing will disproportionately benefit Māori.

Rate of main benefit receipt in the working-age population, 1950-2017 (excludes partners)



Sources: Numerator: MSD Statistical Report for the Year ending June 2002, Table 7.1, includes all age groups (1950-1995); MSD Working age people on main benefits as at June. Includes 18-64 year olds (1996-2017). Both series exclude partners and exclude Transitional Retirement Benefit. Denominator: Statistics NZ Long-term Data Series, Table A1.6. Population aged 20-64 (1950-1990); SNZ Infoshare. Estimated Resident Population by Age and Sex, mean year ended December population aged 18-64 (1991-2017).

Family-type data is available from the 1990s



Sources: Numerator: MSD Working age people on main benefits as at June. Excludes partners. Includes 18-64 year olds. Excludes Transitional Retirement Benefit. Denominator: Statistics NZ Infoshare Estimated Resident Population by Age and Sex, year ended Dec population aged 18-64.

The majority of benefits are paid to people who do not have a partner. In June 2017:

- 63 percent were for unpartnered people without dependent children (up from 51 percent in 1997)
- 30 percent were for sole parents with dependent children (35 percent in 1997)
- 3 percent were for couples without dependent children (6 percent in 1997)
- 3 percent were for couples with dependent children (8 percent in 1997)

Note: There is a small amount of imprecision in these figures because a partnered person is recorded as single when benefit is paid in Australia, and where the partners are on different benefits (but paid at half married rate each) — for instance a couple where one is receiving Job Seeker Support and the other Supported Living Payment-Carer as they are caring for someone.

For the early part of the post-war period, New Zealand had virtually no unemployment. As few as two main benefits were paid for every 100 people in the working-age population.

With worsening economic conditions and economic restructuring in the 1970s and 1980s and rapid growth in sole parenthood (see the section on demographic change below), benefit receipt climbed steeply.

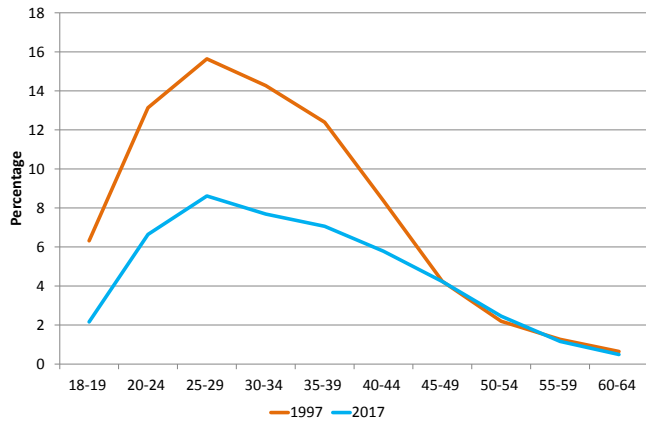
In some years in the 1990s, 16 main benefits were paid for every 100 people in the working-age population.

In 2017, nine main benefits were paid for every 100 people in the working-age population, above the level in the mid-1980s, and slightly below the level in 2007, just prior to the GFC.

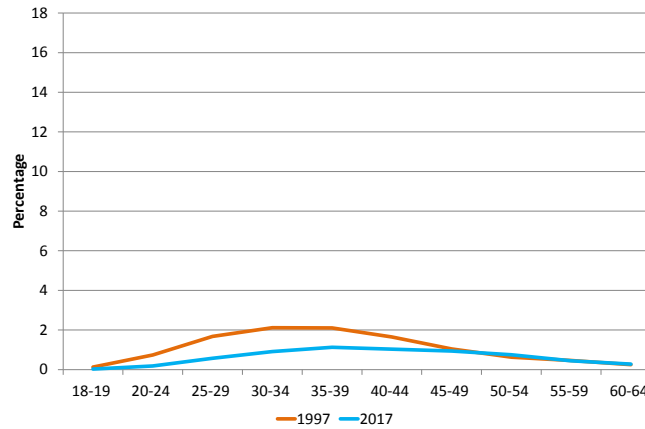
The GFC disproportionately impacted the unemployment rates of young people and Māori and Pacific peoples (MSD, 2016).

Rates of main benefit receipt without a partner by age, 1997 and 2017

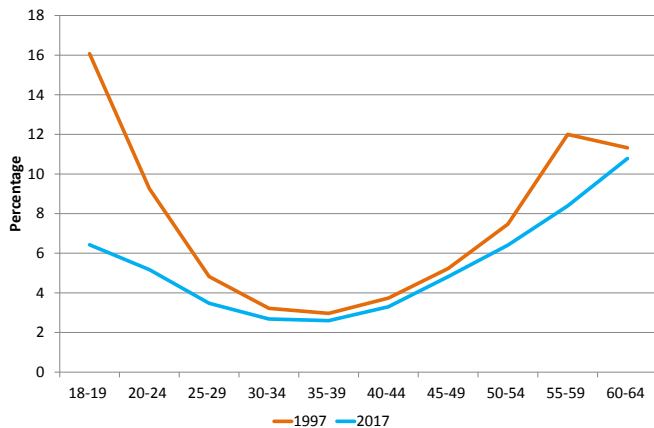
With children – women



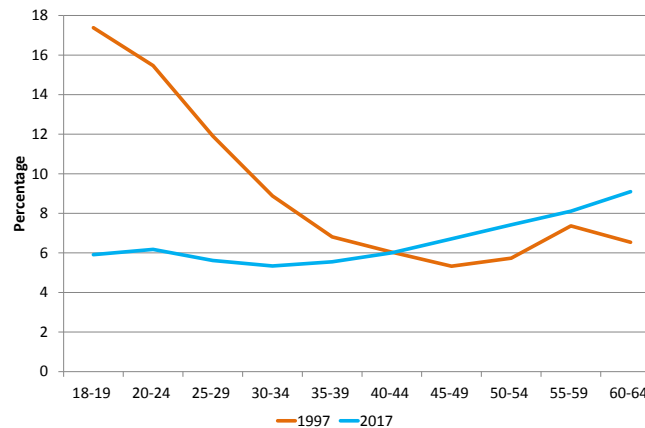
With children – men



Without children – women



Without children – men



Comparing 1997 and 2017, the proportion of women and men receiving benefit as a sole parent declined at all ages 18-44, and was unchanged at older working ages.

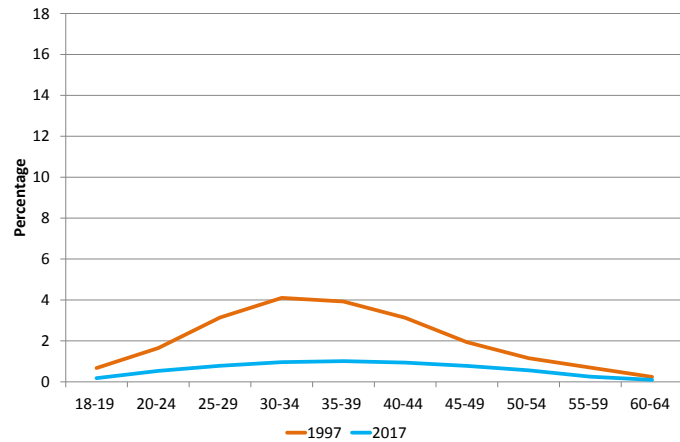
Rates of receipt as an unpartnered person without children fell for women, especially at younger ages, but also in older age groups.

Rates of receipt as an unpartnered single person without children fell for men at younger ages and increased at older ages.

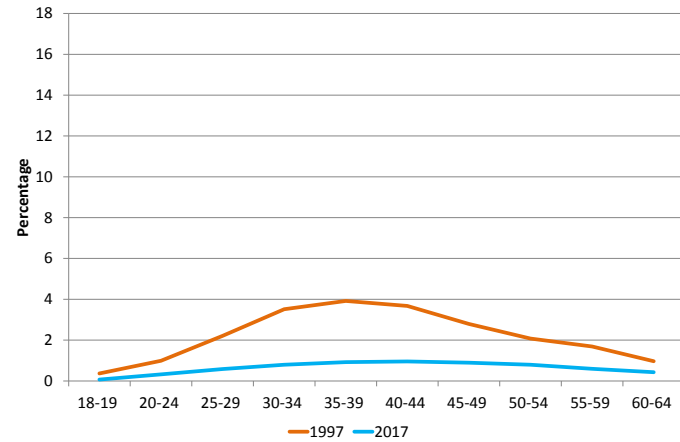
Sources: Numerator: MSD Working age people on main benefits as at June. Includes 18-64 year olds. Excludes Transitional Retirement Benefit. Denominator: Statistics NZ Infoshare Estimated Resident Population by Age and Sex (Annual-Dec), population aged 18-64.

Rates of main benefit receipt with a partner by age, 1997 and 2017

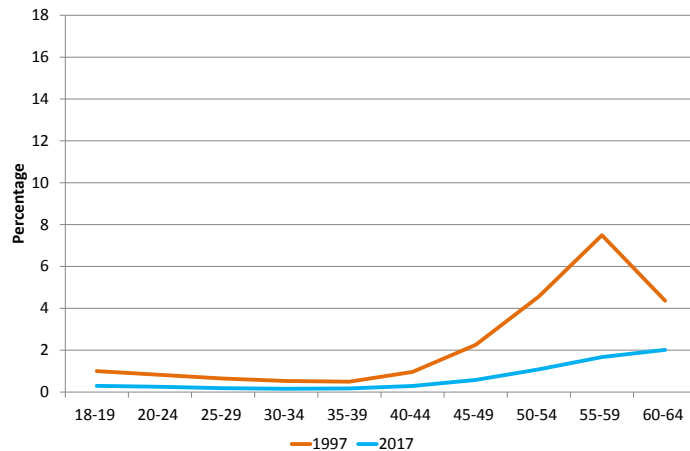
With children - women



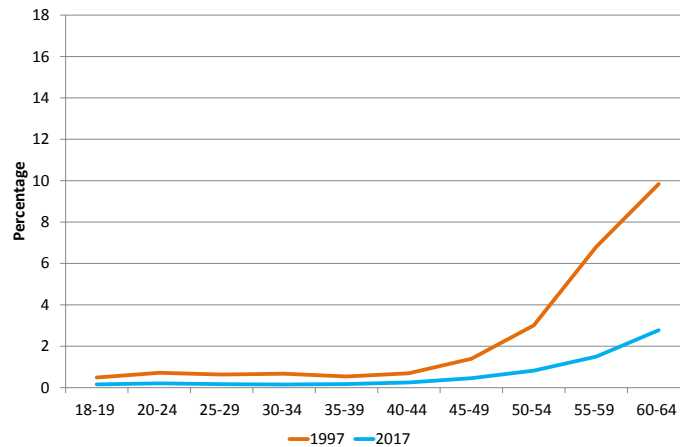
With children – men



Without children – women



Without children – men

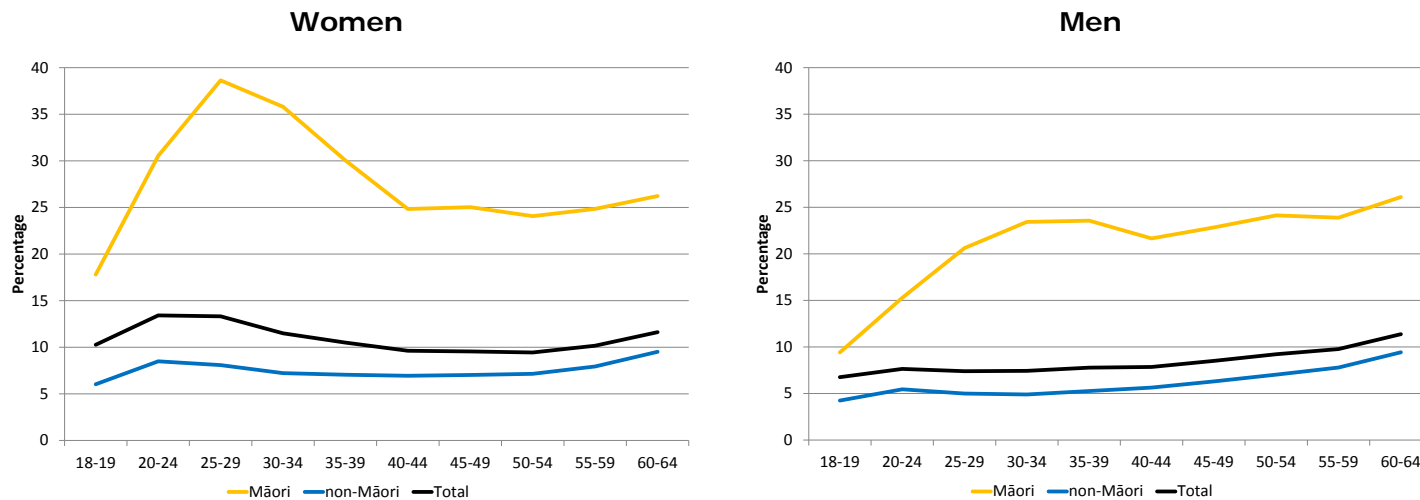


The proportion of women and men receiving benefit as a member of a couple with children declined at all ages 18-64.

The proportion of men and women aged 40-64 receiving benefit as a member of a couple without children declined steeply.

Sources: Numerator: MSD Working age people on main benefits as at June. Includes partners. Includes 18-64 year olds. Excludes Transitional Retirement Benefit. Denominator: Statistics NZ Infoshare Estimated Resident Population by Age and Sex (Annual-Dec), population aged 18-64.

Rates of main benefit receipt for Māori and non-Māori by age, 2017



Sources: Numerator: benefit counts as at December 2017; Denominator: Statistics New Zealand National ethnic projection tables (as at June - 2017 update).

Māori make up 36 percent of all working-age people receiving benefit as a primary benefit recipient.

Age standardised rates in 2017 (these take into account differences in age structure):

| | Benefits per 100 people aged 18-64 |
|-----------|------------------------------------|
| Māori | 26 |
| Non-Māori | 7 |
| Total | 10 |

The drivers of these differences have historical roots, including:

- the legacy of colonialism – loss of lands and other resources, and the breakdown of traditional Māori society
- institutional racism in health, housing and welfare policy
- past migration, housing and labour market policies which drew Māori into industries and occupations that were the most affected by economic restructuring.

(Ministerial Advisory Committee on a Māori Perspective for the Department of Social Welfare, 1988; Ministry of Health and University of Otago, 2006)

Inter-related contemporary differences also play a role, including:

- lower (though increasing) educational participation and attainment; greater vulnerability to unemployment in the GFC; concentration in regions and neighbourhoods with fewer economic opportunities
- higher rates of early removal from whānau by the youth justice system; over-representation in the prison system, and barriers to employment post-release
- early childbearing; sole parenthood; physical and mental ill-health; inequalities in service access (Gibson et al., 2017).

Achieving a benefit system that better promotes wellbeing will disproportionately benefit the Māori population.

Part F

Changes in employment for parents in families with dependent children

Changes in benefit receipt reflect changes in employment rates.

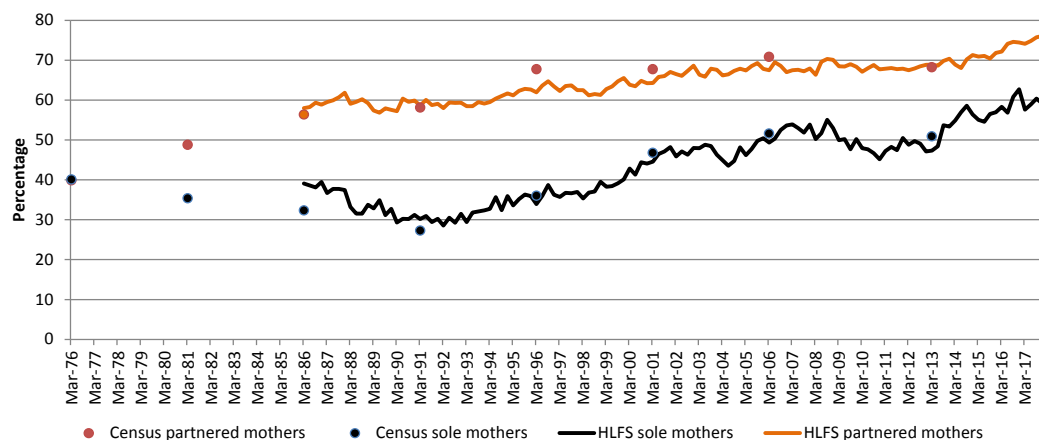
Growth in sole mothers' employment explains much of the decline in sole parent benefit receipt over the last two decades.

Increasingly, both partners in two-parent families are in employment.

The New Zealand labour market is highly flexible. Economic downturns result in a greater proportion of people losing their jobs compared to other countries. Even outside periods of economic downturn, flows into and out of unemployment are high compared to other countries.

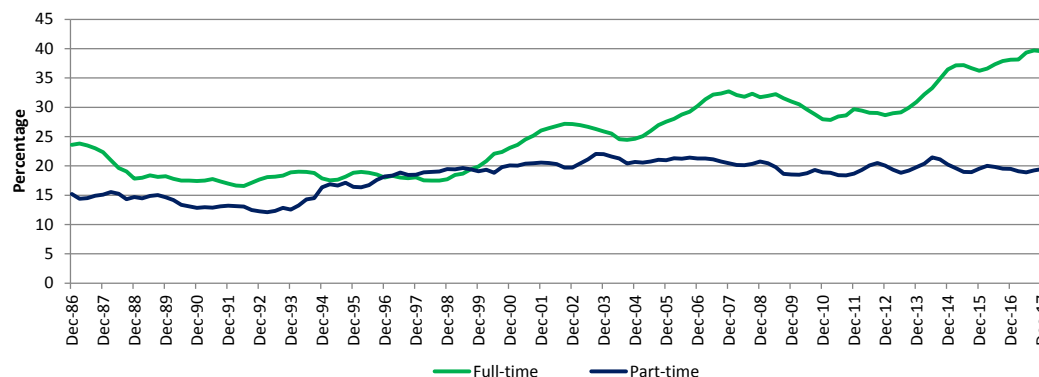
Partnered people affected by job loss often do not qualify for any income support from main benefits if their partner continues to work, because of the joint income test.

The gap in the proportion of sole and partnered mothers with dependent children employed widened then narrowed between 1976 and 2017



Source: Statistics New Zealand Census and Household Labour Force Survey (HLFS) customised tables.
 Note: HLFS data is for people in working-age families.

Virtually all of the growth in sole mothers' employment since the mid-1990s has been in full-time employment (30+ hours)



Source: Statistics New Zealand HLFS customised tables.
 Note: People in working-age families. Annual averages.

Employment rates of sole and partnered mothers with dependent children were identical in 1976.

The fall in the employment rate of sole mothers between 1976 and 1991 was partly because of a compositional change that accompanied rapid growth in sole parenthood – women with lower qualifications and Māori mothers became more over-represented among sole mothers in this period. Demographic changes also contributed (Goodger and Larose, 1999).

After 1991, the periods of steepest growth in sole mothers' employment rates were:

- the late 1990s (improved financial incentives and new work obligations)
- the mid- to late 2000s (Working for Families; Personal Development and Planning obligations and enhanced case management; no work obligations)
- 2013 onwards (strengthened work and planning obligations and work-focussed case management).

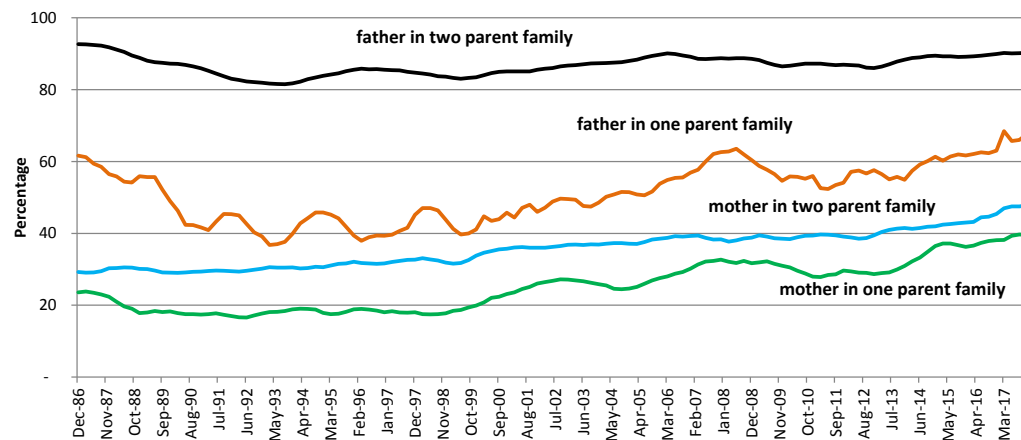
The difference in full-time employment rates is highest when children are young.

Percentage employed full-time in 2017

| Age of youngest child | Sole mother | Partnered mother | Ratio – Partnered:Sole |
|-----------------------|-------------|------------------|------------------------|
| 0-2 years | 16.8 | 36.6 | 2.2 |
| 3-5 years | 30.4 | 43.5 | 1.4 |
| 6-13 years | 46.4 | 53.3 | 1.1 |
| 14+ years | 56.1 | 61.9 | 1.1 |
| Total | 39.6 | 47.8 | 1.2 |

Source: Statistics New Zealand HLFS customised tables.
 Note: People in working-age families. Annual averages.

Full-time employment rates fall by a larger margin for sole parents compared with partnered parents in periods of economic contraction



Source: Statistics New Zealand HLFs customised tables.
Note: People in working-age families. Annual averages.

In two-parent households with dependent children, partners are increasingly both in employment.

Around two-thirds were dual-earner families from 2007 to 2016, up from one in two in the early 1980s.

Where at least one partner is in full-time employment, in 2016:

- the most common arrangement was for both partners to be employed full-time (45 percent, up from 26 percent in 1986)
- 22 percent had one partner employed full-time and the other part-time (compared with 30 percent in 1986)
- 33 percent had one partner employed full-time work and the other not employed (compared with 44 percent in 1986). (Perry, 2017, p147)

The New Zealand labour market is highly flexible compared to other countries:

- Protection against dismissal is very low. Job mobility is high.
- One in ten workers is in a temporary job (similar to the OECD average). Half of these workers say they would like permanent work.
- Job growth since 2000 has favoured high skilled workers.
- Real spending on Active Labour Market programmes is low and falling, and mainly focused on welfare benefit recipients.

Labour market flexibility means that economic downturns result in high levels of involuntary job loss. Even outside periods of economic downturn, flows both into and out of unemployment are high compared to other countries. The adverse effects of displacement on income and future wages appear larger in New Zealand than in other OECD countries (OECD, 2017).

Welfare policy means many workers affected by job loss, particularly those with an employed partner, do not qualify for welfare benefits. Many receive no employment assistance (OECD, 2017; Mackay, 2003). Benefit reforms since the early 1990s have extended stand-down and non-entitlement periods which mean that moving on and off benefit is associated with breaks in income.

Further reading:

OECD (2017). [Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers](#), OECD Publishing, Paris.

The **gender pay gap** has generally been decreasing since 1998. In New Zealand, like other countries, the gap is larger among parents than non-parents. It is unclear how much of this difference reflects loss of skills while mothers are out of the workforce; unobservable differences between parents and non-parents; mothers choosing to work in lower-paying, family-friendly firms; or discrimination.

New research on parenthood and labour market outcomes examines people first becoming a parent in the 2000s (Sin, Dasgupta and Pacheco, forthcoming):

- The average monthly earnings of employed women fall dramatically when they become parents, driven by the combination of fewer hours and lower hourly wages. Their monthly earnings do not return to their pre-parenthood trends within ten years, meaning their lifetime earnings are substantially reduced.
- Motherhood impacts on labour market outcomes differently for different women. Women who work shortly after having children, who are disproportionately skilled and educated, decrease their hours worked and earn substantially lower monthly incomes than do similar women without children. However, in contrast to women who have longer absences, women who work within six months don't have significant decreases in hourly wages.
- Some but not all of the motherhood hourly wage penalties are explained by women returning to work in lower-paid industries or occupations. This could partly reflect women trading off wages for flexibility in working hours, or having less bargaining power as they re-enter the labour market.
- The higher the educational qualification a woman has, the more likely she is to return to work. Only 45 percent of the mothers with no qualifications had returned to work ten years after their first baby compared to over 60 percent of those with a school or post-school qualification, and nearly 70 percent of those with a tertiary degree.
- Mothers who were partnered at the time of their first child have higher employment rates before and after birth than those without partners. This is in part likely due to age and other differences between partnered and unpartnered mothers. Higher post-birth employment may also be due to the support a partner can provide in helping mothers balance employment with the care of children.

In the 2009/10 **Time Use Survey**:

- partnered fathers spent around two-thirds of the time partnered mothers did on total childcare
- **when both parents were full-time employed**, fathers took more responsibility for parental care by spending more time caring for children without mothers
- a third of fathers were involved in over half of all childcare undertaken by parents during the week, while this rose to two-thirds over the weekend
- sole mothers and partnered mothers spent similar amounts of time on childcare once the age of the youngest child had been taken into account
- children of employed sole parents, or full-time employed partnered parents, had the highest participation rates in formal and informal care, especially when the children were below school age (Statistics New Zealand, 2013).

Part G

The changing demographic context and its implications

Most families with dependent children are two-parent families.

The proportion of families headed by a sole parent has been gradually declining since the mid-2000s after a period of rapid growth. At 27 percent in 2013, the proportion remains high compared with other OECD countries.

Slightly lower rates of sole parenthood and falling birth rates for younger women have both contributed to declining rates of benefit receipt.

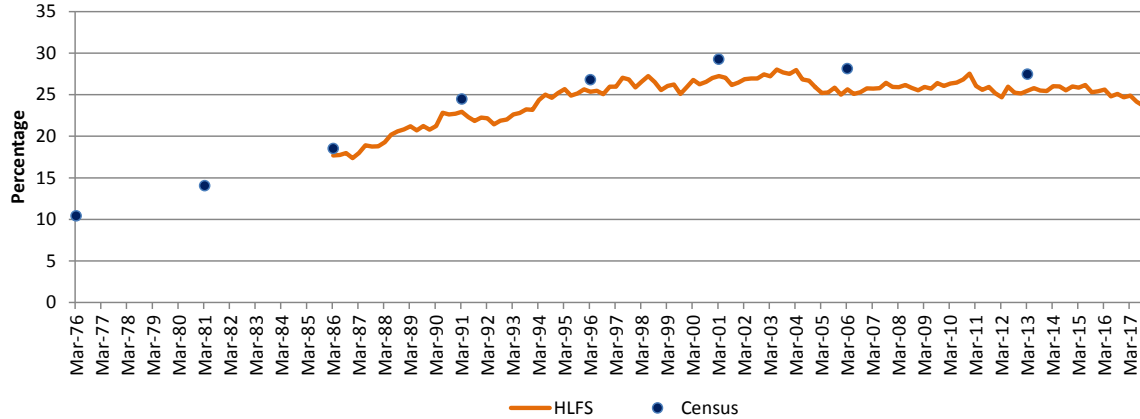
Māori and Pacific women have higher and earlier fertility than European and Asian women – they are more likely to require support from the benefit system as a parent.

Larger cohorts of young Māori and Pacific people are entering the labour market and will continue to do so into the future. Ensuring these young people are able to participate in new economic opportunities requires planning and investment.

Population ageing, low fertility, migration and mobility are all reshaping the access families and whānau have to practical and financial support from sources other than the benefit system, and changing their role in providing care and support for others.

Changes in sole parenthood

The proportion of families with dependent children headed by a sole parent appears to have peaked



Source: Statistics New Zealand Census and HLFS customised tables. Note: HLFS data is for people in working-age families.

Census data show variation in the proportion of infants in sole parent families across ethnic groups. As a new generation of families ages and makes up a growing share of the population of families with dependent children, we may see further gradual reductions in the overall rate of sole parenthood. A high rate of separation of partners through incarceration is a source of upward pressure.

Percentage of infants under 1 year living with a sole mother

| Ethnic group of child | 1986 | 1991 | 1996 | 2001 | 2006 | 2013 |
|-----------------------|------|------|------|------|------|------|
| European | 9 | 14 | 16 | 16 | 14 | 14 |
| Māori | 29 | 40 | 39 | 37 | 36 | 40 |
| Pacific | 23 | 30 | 33 | 30 | 32 | 30 |
| Asian | 6 | 8 | 10 | 12 | 10 | 6 |
| Other | 18 | 20 | 22 | 23 | 20 | 13 |
| Total | 13 | 19 | 21 | 20 | 19 | 17 |

Statistics New Zealand, unpublished Census data

The proportion of families with dependent children headed by a sole parent has slowly declined after a period of growth. In 2013 the proportion was 27 percent – higher than all but two out of 39 OECD industrialised countries (OECD Family Database, Indicator SF1.2).

In the late 1970s and 1980s, relationship breakdown was the main factor driving the growth in sole parenthood. Changing attitudes had been reflected in legislative reforms in 1963 and 1968 that had increased the ease of obtaining a divorce. A second contributing factor was an increase in the number and proportion of pregnant single women who did not marry or place their child for adoption (Pool et al, 2007; Goodger, 1998).

In the late 1980s and 1990s, growth is likely to have been partly linked to the effects on family formation and family stability of economic restructuring and high unemployment. Māori and Pacific people and people with low educational qualifications were concentrated in the industries and occupations most affected, and these were groups for whom growth in sole parenthood was rapid (Davies and Wereta, Superu, 2015; MSD, 2010).

Some of the recent decline may be due to new migrants having lower rates of sole parenting.

Other demographic changes

Fertility is low and relatively stable. After falling rapidly in the 1970s, the total fertility rate has averaged 2.01 births per woman since 1980, just below the 2.1 replacement rate at which women give birth to enough babies to sustain the population. Families are smaller than in the past, and more people are not having children at all. Although below replacement levels, fertility is higher in New Zealand compared with other countries (Pool, Sceats and Jackson, 2013, p.49). The years 2007-2012 mark the only sustained period of at-or-above replacement level fertility in the recent past (Statistics New Zealand, 2018).

Later childbearing accounts for some of the decline in benefit receipt among families. Increasingly, women participate in tertiary education and establish themselves in the labour market before starting a family. Fertility has risen at ages 30+ and fallen at ages 15-29. While women who give birth at younger ages are a diverse group, they tend to be more likely than older mothers to come from backgrounds of educational disadvantage, and more likely than older mothers to parent alone and receive benefit as a sole parent. They are also more likely to be supported by welfare benefits for long periods, and account for an important share of the children supported by sole parent benefits at any point in time (MSD, 2010). The trend towards later childbearing will partly explain lower benefit receipt at younger ages, and the reduction in the proportion of children who are supported by the benefit system.

Māori and Pacific women have higher and earlier fertility than European and Asian women. This means they are more likely to require support from the benefit system as a parent. Māori and Pacific children account for 30 percent of those aged under 20, increasing to one-third for children under five (Jackson, 2016).

While the Māori population is ageing, its relative youth will continue for many decades yet. A 'demographic dividend' has the potential to offer economic opportunities to Māori (Jackson, 2011). Young New Zealanders, disproportionately Māori (and Pacific), will be a larger share of the workforce as each successively larger cohort of baby boomers retires. Realising these opportunities requires foresight, planning, political will, and leadership (Jackson, 2011; Johnson, 2016).

Multi-family living is common. Sole parent families are more likely than partnered parent families to live with others. Across family types, the proportion living with others is highest among families with a member who is Pacific, Asian or Māori (Superu, 2015, p.142). Preferences and economic and housing constraints both play a role, with housing constraints likely to be becoming a more common occurrence as population growth has outstripped housing supply.

Families are highly mobile both within New Zealand and overseas. Changes in flows into and out of the country alter the age structure of the population overall and the number and composition of families. Outward migration of New Zealanders in peak years for family formation to Australia and elsewhere has been high, meaning there is a potential for future increases in return migration. From 2013, high inward migration and a drop in outward migration has led to rapid population growth. To the extent that adults in newly arriving families have higher rates of employment than those already resident and those leaving, and some portion do not yet meet residency requirements for benefit, this will have had a dampening effect on the proportions supported by benefits. Some migrant families who are ineligible for benefits are vulnerable to severe poverty.

In the three years to July 2016, one in 20 New Zealanders moved *within* this country three or more times. Most (four percent of the population or 150,000 people) could be characterised as 'vulnerable transient'. Previous receipt of a benefit was the most important characteristic associated with being vulnerable transient, increasing the odds by more than 2.5 times for adults and 2.9 times for children after holding other factors constant. Vulnerable transient individuals are more likely than average to be female and Māori and to have high rates of contact with other social services. Transience is associated with a number of adverse outcomes, including poorer educational outcomes for children (Superu, 2018).

Increased life expectancy means there are more grandparents and elders than before. Grandparents are increasingly giving families support, both monetary and in the provision of services such as childcare. Research from other countries suggests that the value of intergenerational, intra-family supports, both in kind (such as unpaid childcare) and material (loans or gifts), far exceeds benefit and tax system transfers (Pool, Sceats and Jackson, 2013, p.43). Access to these forms of support varies. Access to material support may be limited where many members of a whānau or extended family group have been supported by benefits for many years. As they age, elders in a family or whānau have more need for support themselves. Increased life expectancy will increase need for benefits to support people caring for other family members.

Mobility is changing access to care and support. On the one hand, high mobility means that families with children often live away from where they have been raised and where their parents are, and away from whānau and other networks, making continuation of reciprocal systems of care and support more difficult. This has the potential to increase the need for publicly provided services and support (Pool, Sceats and Jackson, 2013, p.50). On the other hand, where extended family members also immigrate, or where mobility involves families moving back to areas where they can be close to whānau, these movements might increase access to support.

A perspective on the implications of the changing demographic context for future policy development

"Family-related policy development particularly needs to take into account ethnicity based differences, as the increasing focus on population ageing may direct attention away from the needs of younger families. This could result in 'one-size-fits-all' policies that fail to deliver equity to ethnic groups that have significantly different age structures and family composition.

One feature that particularly needs to be acknowledged is that the age structures of the Māori and Pacific populations today are almost identical to the age structure of the European population in the 1960s, when New Zealand's baby boom was in full swing. Under the policies of that era, there was a variety of supports to families (eg the universal family benefit and the ability to capitalise this as assets for purchasing a home, low cost tertiary education and health support and an era of full employment). That context lies behind many of the current differences in economic circumstances between younger and older families....

The fact that New Zealand's population is ageing, as indeed are all of its ethnic groups, is a very important issue, and it is vital that we prepare for the increasing numbers and proportions at older ages – especially those living in single-person/widowed households. It is also vital to prepare for the opportunities this ageing will bring to the younger population. But as the indicator results show, New Zealand's older families, especially among Europeans, are faring relatively well compared to its younger families, and this relative wellbeing to a large extent relates to past social and economic policy settings."

(Dr Natalie Jackson, 2016, p.49)

Part H

Some possible areas for focus

- Adequacy: causal links to child development, child protection service involvement, mental health, and inter-partner relationship quality
- Making the benefit system more neutral to relationship status and providing income security in a changing labour market
- Measures to help sole parent families balance parenting and employment
- Two-generation approaches to addressing intergenerational disadvantage
- Acknowledging the special relationship with Māori under the Treaty of Waitangi
- Reductions to sole parents' benefits under Section 70A and Child Support
- Adjusting benefits and thresholds over time
- Addressing problem debt
- Considering a rights-based approach
- Delivery of services

Adequacy: Causal links to child development, child protection service involvement, mental health, and inter-partner relationship quality

A developing body of international research shows that higher family incomes have a positive causal impact on **child development**. Evidence of a causal link is strongest for cognitive, social, and behavioural development, along with school achievement, but is more mixed for children's physical health and involvement with youth justice services (Boston and Chapple, 2014; Cooper and Stewart, 2013).

Recent experimental and quasi-experimental studies also show a causal link between welfare benefit policy settings and **care and protection service involvement**. Studies show:

- stricter welfare packages, which use benefit deductions to penalise non-compliance with conditions, increase substantiated neglect rates
- reducing welfare payments leads to substantial increases in rates of out-of-home care
- increasing incomes for families experiencing financial hardship via a child support pass-on reduces child protection service involvement
- increasing income through more generous tax credits reduces the likelihood of care and protection services involvement and neglect
- providing housing subsidies and support services to families with housing issues or at risk of homelessness reduces rates of children's entry into care.

These results suggest investment in financial supports for families experiencing material or financial hardship is likely to substantially reduce care and protection related service costs (Oranga Tamariki Evidence Centre, 2018).

Evidence from New Zealand and overseas shows poverty is associated with **mental health** problems in childhood and through the lifespan (Gibson et al., 2017).

Evidence that income level has a causal impact on mental health is mounting. Several studies have identified a causal impact of income on maternal mental health, parenting behaviour, and the home environment, all mechanisms by which income might influence children's outcomes (Cooper and Stewart, 2013).

Income is likely to have a direct and indirect relationship with maternal mental health. One indirect mechanism through which income level may influence maternal mental health is via its relationship with **inter-partner relationship quality** (Dominick, 2018; Dominick, forthcoming).

“Even small income effects operating across this range of domains are likely to add up to a larger cumulative impact. Mayer (1997) refers to income support policies as the ‘ultimate “multipurpose” policy instrument’ (p. 145): few other policies are likely to affect so many outcomes at the same time.” (Cooper and Stewart, 2013, p. 7)

A possible area for focus is building recognition of these effects into the assessment of future policy options. For example, taking into account effects on care and protection involvement and related service costs will alter both short- and long-term projected fiscal implications of reform.

Making the benefit system more neutral to relationship status and providing income security in a changing labour market

Rates of welfare benefits are paid at a lower rate to members of a couple based on the assumption that partners in a couple can live more cheaply than two single people, and that partners financially support one another. Main benefits for a couple cut out at a much lower level than they would if members of the couple claimed benefit as a sole parent and a single person without children.

| | Main benefit rate (Net \$ per week) | Income from other sources at which benefit fully abated (Gross \$per week) |
|------------------------------------|--|---|
| Sole parent | \$334.05 | \$635.00 |
| Single without children aged 20-24 | \$179.44 | \$337.00 |
| Single without children aged 25+ | \$215.34 | \$388.00 |
| Couple with children | \$384.50 (\$192.25 each) | \$630.00 |

Such 'partnering penalties' (and some premiums) also occur in the system of family tax credits depending on hours of work, income sources and earnings (St John et al., 2014).

International evidence for the effects of penalties is contested, with mixed findings across countries and sub-groups, and over time. A New Zealand study found that the Working for Families reform had little effect on partnering (Fitzgerald et al., 2008). For the UK, the evidence that is most clear is that some members of couples claim state support as sole parents, reflecting the difficulty of developing and administering an unambiguous definition of 'living together as husband and wife' (Adam and Brewer, 2010).

Advocacy groups report that families often find it hard to distinguish where their relationship fits with confusing and intrusive system definitions. Some families feel they have little choice but to position themselves as single people for benefit purposes because the couple rate of benefit provides inadequate income for them and their children. Parents can find themselves in situations that are deemed 'relationship fraud'. In these situations, they are vulnerable to investigation, penalties, long-term debt, and in some cases prosecution and imprisonment, with negative effects on the wellbeing of children (St John et al., 2014).

In the *E Hine* study, some young Māori mothers talked about a tension between securing an adequate income from the benefit system and their desire to 'go legal'. This tension could place strain on the mothers and on their relationships with their partners. The mothers' perceptions of the penalties associated with declaring their relationship went beyond those associated with differences in rates of support, and included a concern with income security. A partner's on-and-off again employment could create problems for mothers and their children, including long delays waiting to get back onto benefits when work stopped (Cram, 2018).

A possible area for focus is considering whether main benefits should, as has been done with New Zealand Superannuation, be made more neutral to relationship status, and considering options for better promoting income security for families as short-term employment and both partners in employment becomes more common. In addition to reviewing benefit rates and abatement thresholds, this could include reviewing stand-downs and sanctions.

A **2011 study** undertaken by the Family Centre Social Policy Research Unit involved in-depth interviews with parents and children in 60 Māori, Pacific and Pakeha sole parent families who had demonstrated resilience in their lives (Waldegrave et al., 2011). The study helps identify things that sole parent families say would help them balance parenting and employment. It also highlights the wider difficulties that sole parent families can face, the sources of resilience they draw on, and the potential for better support for parents and children to reduce intergenerational transmission of disadvantage and benefit receipt.

Measures to help sole parent families balance parenting and employment

Mothers interviewed in the study saw well-paid employment as key to improving their family's economic wellbeing. Many sought opportunities to improve their lives and employment prospects through education or training. They also saw education as the path to a positive future for their children.

Most of the parents were employed part-time, and preferred to be working. They wanted to combine achieving adequate incomes with being at home when their children were not at school.

Children said they supported their parent's employment, mainly because of the economic improvement this brought. They were conscious of their family's often limited financial means.

A possible areas for focus is reviewing the balance of support for employment, education and training, and employment-related obligations, in the benefit and tax systems.

Improved financial incentives, work obligations backed by sanctions, direct funding of, and subsidies for, childcare, financial assistance with the costs of education and training, and facilitative case management have all been shown to help sole parents benefit recipients move into employment. The mix of policies could be reviewed with a focus on likely effects on parenting and potential unintended consequences.

Two-generation approaches to address intergenerational disadvantage

Challenges found in each of the groups interviewed in the study included the effects of violent relationships, low incomes, gaining suitable employment, insecure and unsuitable housing and, to varying degrees, poor physical and mental health.

Drug and alcohol services were an area of need, as were stopping abuse services and relationship support and advice.

The study advocated for improved access to services, including cultural, sporting and holiday experiences for children and young people, and culturally anchored services such as Whānau Ora. Some families reported that they had been helped by the wrap-around support provided by Family Start.

A possible area for focus is considering better support for parents and children as a two-generation approach to reducing intergenerational disadvantage. Making high-quality early childhood education and cultural and recreation services for children and young people more readily available, for example, is likely to have benefits for both children and young people and their parents. Effective approaches at the community, family and whānau, and individual levels that improve mental health, reduce drug and alcohol-related harm, and prevent family violence are similarly likely to help both children and parents.

Acknowledging the special relationship with Māori under the Treaty of Waitangi

Under Article One, the Treaty gave the Crown a right of governance (kawanatanga). Under Article Two, the Crown promised to uphold the authority, rangatiratanga, of the tribes, which they held over their lands and tāonga. Under Article Three, the Crown promised to Māori the benefits of full citizenship.

Benefit entitlements are important elements of the Crown's Article Three duties. Employment assistance and other services delivered as part of the welfare system have bearing on both Article Three and Article Two duties. At the same time, 'Diverse Māori realities' (Durie, 1995) mean Māori have different levels of connection to Māori organisations.

A possible area for focus is engaging with Māori to identify areas of interest, and to develop and consider options for giving effect to the principles of the Treaty in an overhaul of the welfare system.

The Productivity Commission provides a useful starting point for considering Māori interests in the delivery of services in its 2015 report [More Effective Social Services](#):

"The Māori dimension key points:

- the objectives Māori have for social services are broader than just effectiveness and efficiency – social services have an important role to play in "Māori succeeding as Māori", including Māori being able to exercise collective duties of care that arise from tikanga (customary practice).
- Māori are disproportionately represented among those with poor outcomes. An approach that focuses on deficits alone would ignore the strengths that exist within Māori communities to create change for themselves.
- The aspirations of Māori to improve the outcomes of whānau, and the tikanga around manaakitanga, whanaungatanga, and rangatiratanga, make iwi and urban Māori groups are obvious candidates for further devolution and the commissioning of social services.
- In making decisions about whether and how to devolve the commissioning and delivery of social services for Māori, government should be open to opportunities for Māori to exercise mana whakahaere (the power to manage, govern or hold authority). This should be based on the Treaty of Waitangi principles of partnership, and of active protection of Māori interests and rangatiratanga.
- Enabling greater rangatiratanga within social services requires the Crown to step back from "deciding for" and often "doing for" Māori. Yet if the Crown steps back too far, or in the wrong way, then it risks inappropriately leaving iwi to deliver the Crown's Article Three duties. What matters is who holds mana whakahaere over that activity to achieve the objectives of both parties.
- Whānau Ora embodies concepts important to Māori and holds much potential to improve Māori wellbeing and mana whakahaere. It would be strengthened by a dedicated budget based on assessed needs for a defined population; devolved decision making over the budget; effective resource allocation to where resources can have the most effect; and improved accountability for results.
- The question of how best to devolve responsibility to Māori is open. One process that has been used is Treaty settlement. Yet, the Treaty settlement process is not necessarily well suited to this purpose. The Government should let Māori propose arrangements within or outside the Treaty settlement process for devolved commissioning, rather than co-opt Māori groups into a process, or impose a process on them.
- A broad investment approach opens up new possibilities for Māori to negotiate transfers of responsibility and funding from government agencies to Māori organisations. Data analytics and research will support these possibilities." (Productivity Commission, 2015, p.326).

Reductions to sole parents' benefits Section 70A and Child Support

Section 70A of the Social Security Act 1964 requires that the rate of a sole parent's benefit be reduced for each dependent child for whom the person does not seek Child Support, subject to some exemptions. The benefit is reduced by \$22 for each dependent child for whom the client refuses or fails to meet their Child Support obligations. After 13 weeks a further \$6 a week reduction may apply. Close to one in five sole parents receiving Job Seeker and Sole Parent Support have these benefit reductions. Reasons include being unaware of the penalties and how to comply and grounds for exemption, and a strong desire to have no contact with the other parent.

The policy's intent is to encourage the establishment of paternity and applications for Child Support, and to encourage parents to meet their financial responsibilities to their children. While a sole parent receives benefit, Child Support paid in respect of the child is retained by Government to offset the cost of the benefit, unless the Child Support payments are in excess of the net-benefit, in which case the amount above the benefit level is passed on. Parents receive the whole amount of the Child Support payment once they leave benefit, or they receive benefit as a member of a couple.

In a comparative study of child support regimes in four English-speaking countries, the New Zealand regime stood out in treating child support as a complete substitute for welfare payments. As a result, the New Zealand child support system made the least contribution to poverty alleviation (Skinner et al., 2017).

US studies show that in addition to reducing child poverty, full pass-on of child support:

- increases custodial parents' likelihood of receiving payments and the amount they receive
- leads to paternity being established more quickly
- can reduce the risk of child maltreatment (What Works for Health, n.d.).

Another feature of the current Child Support system is that the minimum payment of \$17.67 per week is required of liable parents supported by main benefits, even though these benefit rates are not intended to provide for the children concerned. Sole parents receiving benefit who have had other children removed from their care, or who have other children cared for by other family members with the support of Unsupported Child Benefit, for example, for example, are liable for these payments.

A possible area for focus is considering whether Section 70A benefit deductions should be removed, and considering options for passing Child Support to custodial sole parents supported by the benefit system, both as an additional mechanism to reduce child poverty, and as an alternative to benefit reductions as a means of encouraging parents' engagement with the Child Support system.

Child Support obligations for liable parents supported by the benefit system could also be reviewed.

Adjusting benefits and thresholds over time

A possible area for focus is considering mechanisms to maintain the value of benefits and abatement thresholds over time as part of any overhaul. The history of welfare benefit policy for families shows that not providing for indexation can quickly undo the intention of a reform.

Addressing problem debt

One way that families cope with income inadequacy is to take on debt, or accumulate debt as a result of unpaid bills or fines. Debts and penalties can accumulate rapidly when people have insufficient resources to make repayments. While we have data on debt to different Government agencies, there is no information on the extent of problem debt – unmanageable debt leading to financial strain (Expert Advisory Group on Solutions to Child Poverty, 2012).

The causes of problem debt are complex with many contributing factors (Families Commission and Retirement Commission, 2009). Recent studies of service users in South Auckland and foodbank users at the Auckland City Mission highlight the burden of high and unsustainable debt levels, and the negative impacts on family wellbeing and relationships (Pipi and Torrie, 2018; Auckland City Mission, 2014). Growth in the high-cost, unregulated fringe lender market has occurred in New Zealand and internationally in recent years. Associated credit practices create financial hardship for many people including Māori, Pacific and low-income New Zealanders (Signal et al., 2012; Families Commission, 2012). Recent increases in financial support for families may have limited effect on those in the most need if problem debt is not also addressed.

A possible area for focus is considering options for reviewing Government debt accumulation and penalty and recovery processes for low-income families to ensure they take the wellbeing of children into account, and considering other approaches to preventing problem debt and helping those who have problem debt already to consolidate and manage repayments.

Considering a rights-based approach

New Zealand is a signatory to, or bound by, a number of international conventions and required to report on progress in fulfilling its obligations to the relevant United Nations (UN) committees.

The approach to compliance is uneven. Recent reforms to child protection legislation reference the UN Conventions on the Rights of the Child and the Rights of Persons with Disabilities and introduced new obligations upon the Chief Executive of Oranga Tamariki—Ministry for Children to improve outcomes for Māori children. There is no recognition or endorsement of the International Covenant on Economic, Social and Cultural Rights in New Zealand's legislative framework, and a strategy for alignment with the UN Declaration on the Rights of Indigenous Peoples is yet to be developed (Human Rights Commission, 2018; Johnson, 2015).

A possible area for focus is considering the role of a rights-based approach to welfare benefit policy for families and whānau, and carrying out a Child Impact Assessment (MSD, 2018) of policy options.

Delivery of services

The way that benefit entitlements are delivered influences people's understanding of what is available to them, and their understanding of which of those payments carry over into work.

It also influences the security of income for families, and people's ability and willingness to make changes to their situation.

A possible area for focus is examining ways in which the delivery of benefits and tax credits can be made easier to navigate and more seamless for people moving in and out of work, and the possible role of navigators both within and outside delivery organisations.

The Productivity Commission, in their 2015 report on more effective social services, identified conditions that need to be fulfilled to deliver an effective, integrated package of services to the most disadvantaged New Zealanders. These included "a skilled, client-centred navigator who is close enough culturally and geographically to understand the client's circumstances and to build a relationship of trust with them" (Productivity Commission, 2015, p.17).

Superu reflections on the underpinnings for an effective social sector service delivery system:

- "Treating people as people – provide services where families are well treated
- Improving the culture of agencies (understanding, attitude and behaviour)
- Having staff who are informed and can act as an influential 'navigator' when dealing with multiple agencies
- Creating accountability of government services and staff to families where competing agency priorities are managed in the interest of families, not the agency. Ensure the operational policy settings of different agencies align rather than work against one another
- Beginning at the beginning – meet basic needs first, promptly and with little hassle
- Placing families at the centre of the system rather than the agency's needs
- Shifting the burden of navigating the system off family – require services to 'join the dots' and not families
- Building capability to generate and use evidence to continuously improve services and to decide where to invest" (Superu, 2017c, p.10).

Further reading:

Superu (2017c). [*In Focus – What we've Learned about Families and Whānau.*](#)

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