



Media Statement

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FUNDAMENTAL CHANGE SIGNALLED IN WELFARE REFORM RECOMMENDATIONS

“The social and economic costs of the current New Zealand welfare system are unacceptably high and the potential benefits of reform are so significant that fundamental change is needed,” says Welfare Working Group Chair Paula Rebstock.

The Welfare Working Group, which was established by the Government, today released their report *Reducing Long Term Benefit Dependency* detailing practical recommendations on how to improve outcomes for people on a benefit and New Zealanders as a whole.

“The Welfare Working Group is confident that if the reform package is implemented effectively, it will have a positive impact on many individuals, their families and the wider community,” says Chair Paula Rebstock.

Key to the recommendations is a shift to a stronger focus on paid work.

“There are currently few incentives and little active support for many people reliant on welfare to move into paid work. Long term benefit dependency can be avoided if investments are well targeted and timely. Enabling people to move into paid work reduces poverty and improves outcomes for key at-risk groups, including young people, sole parents, disabled people and those who are sick.

“The Welfare Working Group has proposed eight major reforms to the welfare system.

- *A stronger work focus for more people* – Sending early, strong signals about the importance of paid work and assuming most people of working age can work. This requires a proactive approach focused on providing active support as well as financial support.
- *Reciprocal obligations* - Most working age people successfully provide for their own wellbeing through paid work. Individuals who enter the system who can work should take all reasonable steps to secure paid work and they should be supported and encouraged by policy settings and a responsive service delivery agency to find paid work. Individuals, Government, whānau and family, employers and the broader community can all contribute to achieving positive outcomes for people seeking to move into paid work.

- *A long-term view* – The welfare system needs to recognise the value of investing early to reduce the long-term social, economic and fiscal costs of welfare dependency. Adopting an actuarial approach to measuring the forward liability will therefore be an important feature of any reform.
- *Committing to targets* – The Working Group proposes a target of reducing welfare recipients by 100,000 by 2021. Setting an achievable numerical target for reducing the number of people dependent on welfare will assist in directing attention to the scale of the problem, ensures a sharper focus across Government and the community on outcomes from reform, and to provide a clear yardstick for measuring progress.
- *Improving outcomes for Māori* – The social and economic costs of having 31 per cent of working age Māori on welfare are intolerable. It is imperative that all available options and opportunities are utilised, including partnerships with Māori leadership, greater accountability for delivery to Māori, and commitment to lifting Māori education, training and employment outcomes.
- *Improving outcomes for children* – The social and intergenerational consequences of having 222,000 children growing up in benefit dependent households are deeply concerning. Welfare reform options must explicitly consider the potential impacts on the well-being of children. Reducing the unacceptably high incidence of child poverty in New Zealand through a particular focus on at-risk jobless households and whānau must be a high priority of reform.
- *A cross-Government and community approach*– Many of the solutions to reducing long-term welfare dependency lie outside the welfare system. Cross-Government and community leadership, focused on prevention and early intervention, is critical. We are particularly concerned about the performance of the education system in meeting the needs of at-risk, under-achieving children and young people. Significant shortcomings in core health services such as mental health, in rehabilitation, and in generic managed health care providers and systems, must be addressed if injured and ill New Zealanders are to recover as quickly and as well as is possible and if any consequent morbidity is to be minimised. These health and education service shortcomings have a direct and adverse effect on welfare dependency.
- *More effective delivery* – An outcomes-focused delivery agency is proposed that will use new skills and capacity to deliver effective services to people at risk of long-term welfare dependency. Responsiveness can be increased through a greater focus on community-based solutions (including for Māori, Pacific people, migrants, refugees and young people). Contracted not-for-profit and private sector providers also need to be part of the solution and such contracts need to be rigorously designed and managed. The delivery agency needs to be accountable for reducing the forward liability and the associated reduction in long-term welfare dependency.

The proposed reforms are underpinned by:

- The establishment of a new single work-focused welfare payment to replace all existing categories of benefit called Jobseeker Support.
 - All people who enter the welfare system will apply for Jobseeker Support.
 - People who are on Jobseeker Support will be either Jobseekers, transitioning to work or receiving long-term support.
 - This is a critical component of the reforms as the number of people who will be encouraged to move into work will increase from 37% to 77%.
- The establishment of a delivery agency, Employment and Support New Zealand, which will implement the new approach.
 - This delivery agency will be responsible for achieving better long-term outcomes and will be accountable for reducing the forward liability.
 - The proposed reforms will require the delivery agency to work with more people than it currently does, including people that the welfare system has previously not worked with, and invest in a timely manner.

“Currently around 360,000 working age people are on a benefit, with 175,000 of those having been on a benefit for at least five of the last 10 years. Analysis indicates that if the reforms proceed, there could be up to 100,000 fewer people on the benefit and in employment. This would result in a reduction of the forward liability from \$47 billion to \$34 billion by 2021.

“The Welfare Working Group would like to thank the many New Zealanders who took the time to make submissions on this important piece of social policy. The submissions played an important part in shaping the final recommendations for a welfare system that will deliver better outcomes for all New Zealanders,” concluded Ms Rebstock.

The report can be found at <http://ips.ac.nz/WelfareWorkingGroup/Index.html>

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