



**Media Statement
For Immediate Distribution**

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Benefit System is failing too many New Zealanders

The Welfare Working Group today released a paper setting out the many issues that need to be considered if New Zealand is to reduce long-term benefit dependency, get better outcomes for those who need welfare support, and ensure the benefit system is effective and sustainable.

The Welfare Working Group, established by the Government in April, is conducting a review of New Zealand's benefit system. The terms of reference include: how work outcomes for sole parents can be improved; how disabled people and those suffering from ill health who have some work capacity can be supported into work and independence; how to learn from the experience of ACC and the insurance industry; and whether the benefit system as currently structured is contributing to long-term benefit dependency.

The Welfare Working Group includes former Commerce Commission Chair Paula Rebstock, and a mix of academics, employers and community leaders. It will report back to the Government on its recommendations by the end of the year.

Ms Rebstock said the discussion paper was informed by extensive engagement with New Zealanders, and a review of data and information from New Zealand and overseas.

“The Welfare Working Group has listened to beneficiaries, employers and communities and reviewed the evidence carefully. We have concluded the current benefit system ignores the importance of paid work to the wellbeing of New Zealanders.

“The benefit system is meant to give our most vulnerable citizens support when they need it and to provide it in a way that helps them get back into work and get on with their lives. It is also there to help those who need permanent or long-term support and cannot reasonably be expected to be in paid work.

“But the large and growing number of people currently on long-term benefit support clearly indicates the system is not achieving these objectives. It is failing too many New Zealanders. There are currently 356,000 working age adults on a benefit in New Zealand, or one in eight people of working age.

“While those on employment-focused benefits, such as the Unemployment Benefit, tend to move off the benefit and into work more quickly, there is evidence that an increasing number of people get stuck in long-term benefit dependency,” she said.

The data shows about 170,000 people have been on a benefit for at least five out of the last ten years. That is the equivalent of the cities of Dunedin and Invercargill combined.

“Long-term benefit receipt is concentrated in certain groups in our community: our youth, those between 50 – 59 years, and Māori and Pacific Islanders are most at risk of being on a benefit for the long-term,” Ms Rebstock said.

“If we want to raise living standards in New Zealand, we need to make much better use of our human potential and ensure everyone has the training, opportunity and encouragement to get into paid work. And it’s not just about generating wealth. It is well documented that being in paid work matters to health and wellbeing.

“A recent position statement by the Royal Australasian College of Physicians concluded that ‘for most individuals, working improves general health and well-being and reduces psychological stress’.”

Ms Rebstock said there was also evidence of substantial ‘hidden unemployment’ in the current benefit system: “In our discussions with beneficiaries, the clear message was that many of these people want to work. They want to take control of their lives and build a better future for their children. But for people on the Sickness, Invalid’s and Domestic Purposes Benefits the current system doesn’t provide enough support or encouragement to help people get back into work.

“Employers have reported to us that prior to the recession, and despite there being high numbers of people on benefits, many firms had difficulty finding workers who were ‘ready’ and committed to work. Coming out of a recession, the job market is constrained but this is exactly the time to invest in people who have been on benefits for a long time, so they can take advantage of future opportunities when the labour market recovers.

“The lack of work focus in some benefits not only leads to long-term disengagement from the workforce, it also contributes to poverty and deprivation, not just for the individual but for their families, whānau and communities. The tragic flow-on effects of this poverty cycle should be deeply concerning for all New Zealanders.”

Ms Rebstock said child poverty rates would be reduced by getting more people into work, including sole parents: “Other OECD countries, such as Denmark, Finland, Sweden, Norway and France, prove it is possible to have low rates of child poverty when reasonable benefit levels are combined with high employment rates, particularly among sole parents. New Zealand is out of step with the rest of the world on this issue.

“Currently more than 222,000 New Zealand children aged up to 17 years are living in households that are reliant on a benefit. About one in three Maori children are living in benefit-

dependent households. As at 30 June 2009, 43 percent of Domestic Purposes Benefit recipients were Māori.”

Ms Rebstock said existing levels of long-term benefit receipt will be unsustainable in the future: “Looking to the future, if current trends in benefit receipt continue unabated, 16 percent of the working-age population could be receiving a benefit by 2050. The social and economic costs of this will be unsustainable,” she said.

Copies of the Welfare Working Group’s Issues paper are available at <http://ips.ac.nz/WelfareWorkingGroup/Index.html>. The deadline for submissions is **Friday 17 September**. Feedback will inform the Working Group’s Options paper to be developed and issued for further consultation later this year.

ENDS

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