

Welfare Working Group – June Forum
Paula Rebstock, Chair
Wednesday 9 June 2010

- Minister Bennett, speakers and delegates, I would like to welcome you all to this Forum, hosted by the Welfare Working Group.
- The Working Group has been set up to look at long-term welfare dependence and the growing number of people on benefits in New Zealand.
- Our terms of reference are clear and require us to address some big issues, including 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; and to learn from the experience of ACC and the insurance industry.
- Since we started just over a month ago, we have been listening to a wide range of views. We've held a series of workshops around the country involving people with personal experience of the benefit system, as well as the providers and agencies who work in the social services sector.
- This Forum builds on these workshops and brings together a range of perspectives. We want to broaden the public debate and provide wider context for what is happening in New Zealand and internationally.
- By the end of the next two days, the Welfare Working Group wants to have identified the range of issues that will enable us to drive real change in the benefit system.
- We need your help to do this.
- So, why is this important?
- Put simply, the New Zealand benefit system affects all of us.

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- As of March 2010, nearly 325,000 people or roughly 1 in 8 working age New Zealanders were receiving a main benefit.
- Current expenditure on the benefit system (and excluding the tax credits) accounts for 11.5% of core government expenditure.
- The large numbers of people currently on benefits reflects long-term underlying trends, rather than just the recent recession.
- In 2008, after a decade of economic growth and prior to the recession, New Zealand had reached the point where roughly 1 in 10 working age New Zealanders were receiving a benefit.
- To put these numbers into context: in the mid-1960s about 30,000 people were receiving a benefit. That was only 2% of the working age population.
- Two central questions the Welfare Working Group therefore faces are: why does New Zealand have so many people on a benefit? And why are some people on a benefit for so long?
- We are not alone in looking at these issues. They are being debated around the world. And the good news is that we can learn from the evidence and experience of other countries.
- As we begin to define our way forward here in New Zealand, I want to start by acknowledging the reason we have a welfare system. At some point in their lives many New Zealanders need some form of support because they experience a period of unemployment, or they get sick or lose a partner.
- Importantly, most people who need this support and use the benefit system in these circumstances, do so for only a short time.

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- But when we look more closely at the statistics about people on benefits, and discuss these issues openly in our communities, we see there are also a large number of people who are using the benefit system more or less permanently. For them the safety net has become a trap.
- Of the nearly 325,000 people on a benefit in March this year, roughly 30% have been on a benefit continuously for four or more years. Nearly 12% have been on benefit continuously for over a decade.
- And even these depressing statistics mask the true story around those receiving benefits for long periods of time.
- If we consider the fact that many people have multiple periods of benefit receipt, the true extent of long-term benefit dependence becomes even clearer.
- Of the people on a benefit in June 2009, 177,500 of them had spent seven or more years on a benefit since 1993.
- That's the equivalent of the entire population of the cities of Dunedin and Invercargill who have spent more than seven years on a benefit.
- That we have such numbers of people on benefits for such long periods of time should be deeply concerning to everyone.
- We know that being on a benefit long-term is a corrosive experience, and many of the people who are on a benefit more or less continuously are actually able and willing to work.
- New Zealand has the third lowest measured rate of employment of sole parents in the OECD, and we have to ask whether the structure of our benefit system is contributing to this result.

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- For some people with disabilities or illness, we need to ask whether the benefit system focuses too heavily on what they *can't* do, instead of what they *can* do.

- According to the evidence, the wellbeing of people who are disabled or unwell and on benefits could be improved by getting back into work sooner. But they need the right support from the community and employers.

- The current system, established in a previous century and tinkered with by successive Governments, is not effectively responding to the demographic, economic and social realities of New Zealand in 2010 and beyond.

- For many individuals and their families we need a fundamental rethink of the support we are offering to people in need of income support.

- The old approach emphasised the 'security' of a modest benefit.

- But I don't think the old approach provides real security. It simply locks many people into life on a benefit and robs them of their potential.

- For most people, real security is provided by the earnings, confidence, the social contact, better health and the future prospects that participation in the workforce offers.

- For those who have no capacity to work, we have a responsibility to meet the real cost of their support. We also have a responsibility to ensure they are able to participate effectively in their community.

- For those whom work is possible, we must refocus our efforts and resources.

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- Children growing up with a parent or parents long-term on benefit don't get security. They get limited aspirations and opportunities.
- The human cost this represents is surely a concern to every New Zealander.
- The financial costs are also a concern. Right now we are spending around \$7.5 billion of core government expenditure on benefits.
- We need to consider whether the investment we are making in the current system is actually delivering the results we expect or want.
- A recent study estimated that the future fiscal liability of people currently on benefit in 2009 was in the order of between 24% and 31% of GDP. This is a very large figure, and we need to ask whether we are investing enough, and investing in the right areas, in order to reduce these future costs.
- Our task is not easy. The challenge over the next two days is for every person in this room is to debate the issues and contribute to the process in a constructive way.
- We need to confront some complex and difficult questions. Here are some to kick-start the debate:
- What can be done to reduce the cycle of benefit receipt between parents and children? We know from research that the family environment is vital in nurturing hope and aspirations. One in five children currently lives in a family that is receiving a benefit. Is this an outcome we want ?
- Why are so many young people leaving school without the skills they need to support themselves, ending up on a benefit and

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staying there far too long? What are the hard questions we should be asking of our education system?

- And, what do we need to do to improve the prospects for those who have been receiving sickness or invalid's benefits for long periods? What are the supports and attitudinal changes that need to be put in place?
- We might not all agree on the answers, but these questions need to be asked. We need to engage in a clear dialogue, as we cannot keep doing what we have been doing and failing to address the problem of long-term welfare in New Zealand.
- We need solutions that are innovative, we need the best possible evidence, and we need to be ambitious for what we can achieve.
- We have a lot to learn, share and consider over the next two days. Every one of you here has an important role to play.
- To be successful we need to respect the differences of opinion and be open to testing the boundaries.
- We have a unique opportunity to challenge some old myths and engage in a dialogue about one of New Zealand's most pressing issues.