

Welfare Justice

Paul Dalziel
Professor of Economics
AERU, Lincoln University



Mihi

Kei te mihi ahau ki ngā taonga o ngā tāngata
whenua o Aotearoa.

Kei te mihi ahau ki ngā kai mahi o te Welfare
Working Group.

Ka tino nui tēnei mahi; no reira, me āwhina
tātou ki a tātou.

Nā tō rourou, nā taku rourou, ka ora ai te iwi.

Tēnā koutou. Tēnā koutou. Kia ora tātou katoa.



Introduction

Four key components in policy analysis:

1. Understanding of historical trends and events that have led to the current system.
2. Data collection, statistical analysis and policy interpretation.
3. Understanding of different perspectives of people with agency in the system.
4. Modelling of system behaviour and plausible responses under different scenarios.



Introduction

The Welfare Justice Group focuses on 1 and 3:

1. Understanding of historical trends and events that have led to the current system.
2. Data collection, statistical analysis and policy interpretation.
3. Understanding of different perspectives of people with agency in the system.
4. Modelling of system behaviour and plausible responses under different scenarios.



Introduction

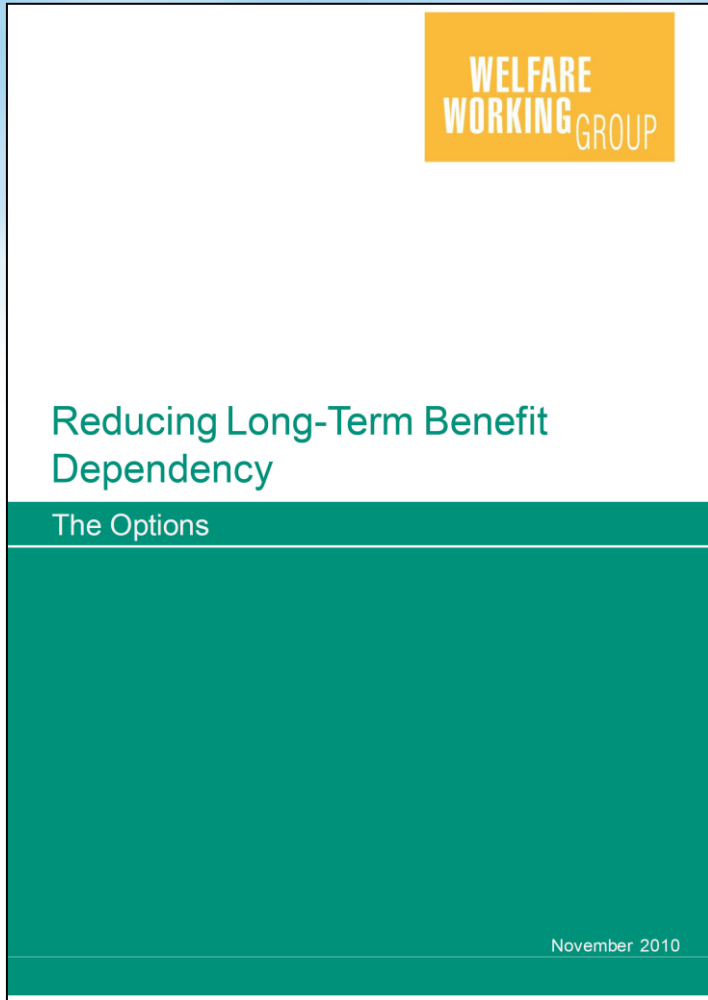


Today Welfare Justice is publishing its report “*What We Heard*”, drawing on:

- 15 public meetings involving over 400 people;
- 91 written submissions through our website; and
- funding from six agencies and individuals.



Introduction



Today I have been invited to speak on *The Options* report published on Wednesday. I will focus on four key points:

- The submissions.
- Data analysis.
- Asking the *hard* questions.
- Investing in children.

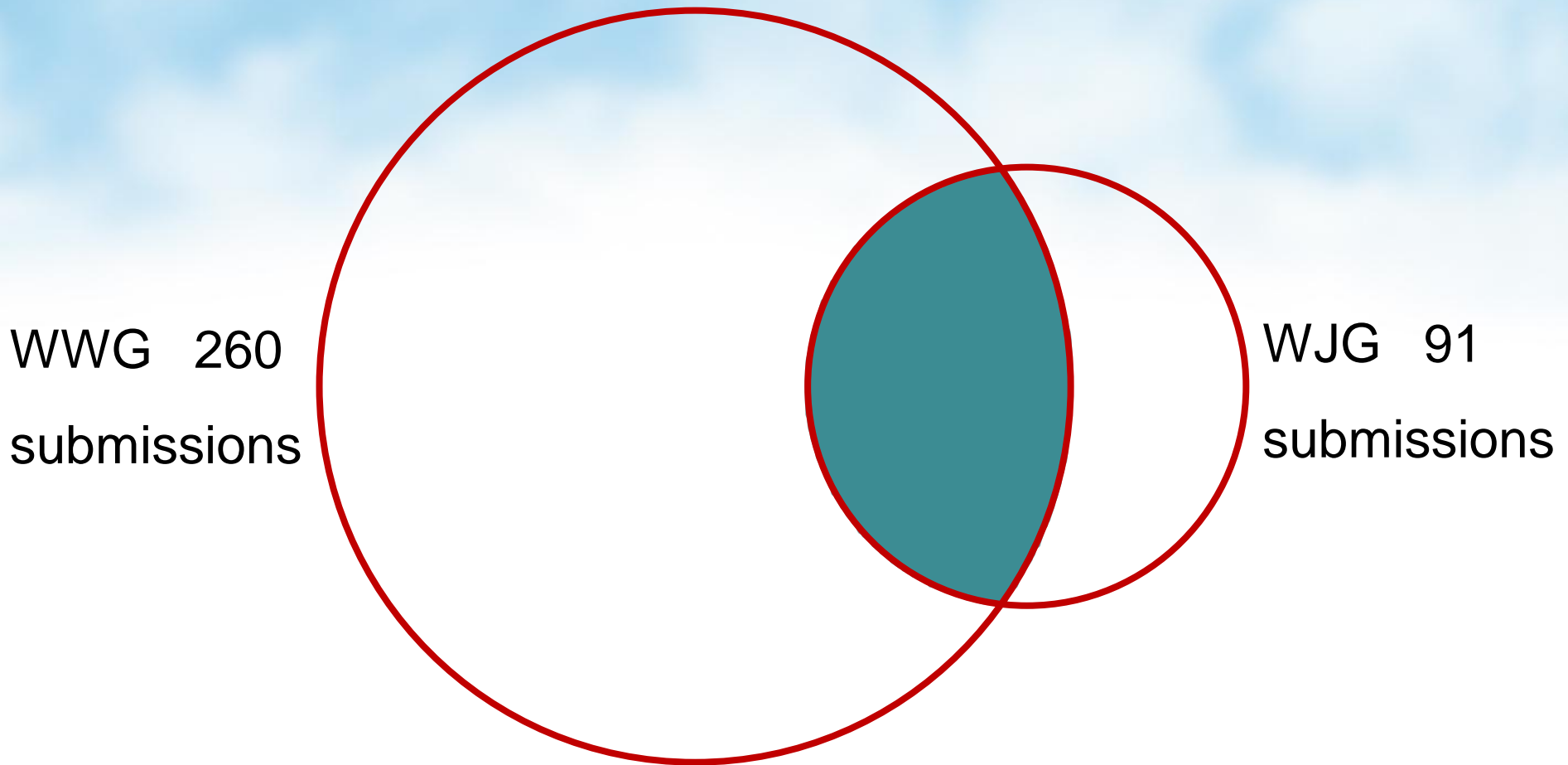


The Submissions

- The Welfare Working Group received 260 written submissions and Welfare Justice received 91.
- There was a reasonably high level of overlap, since we gave people the option of saying they wanted their submission to be forwarded to the WWG, and many of the larger submissions we received were duplicates of submissions to WWG.



The Submissions



The Submissions

- The question we have is what did the WWG do with the many submissions it received (some from large organisations) that did not agree with the key themes in its two reports?
- This second report, *The Options*, appears to have cherry-picked the submissions for quotes that agree with WWG key themes.
- There is no hint in the report's submissions summary (section 1.2) of the debates.

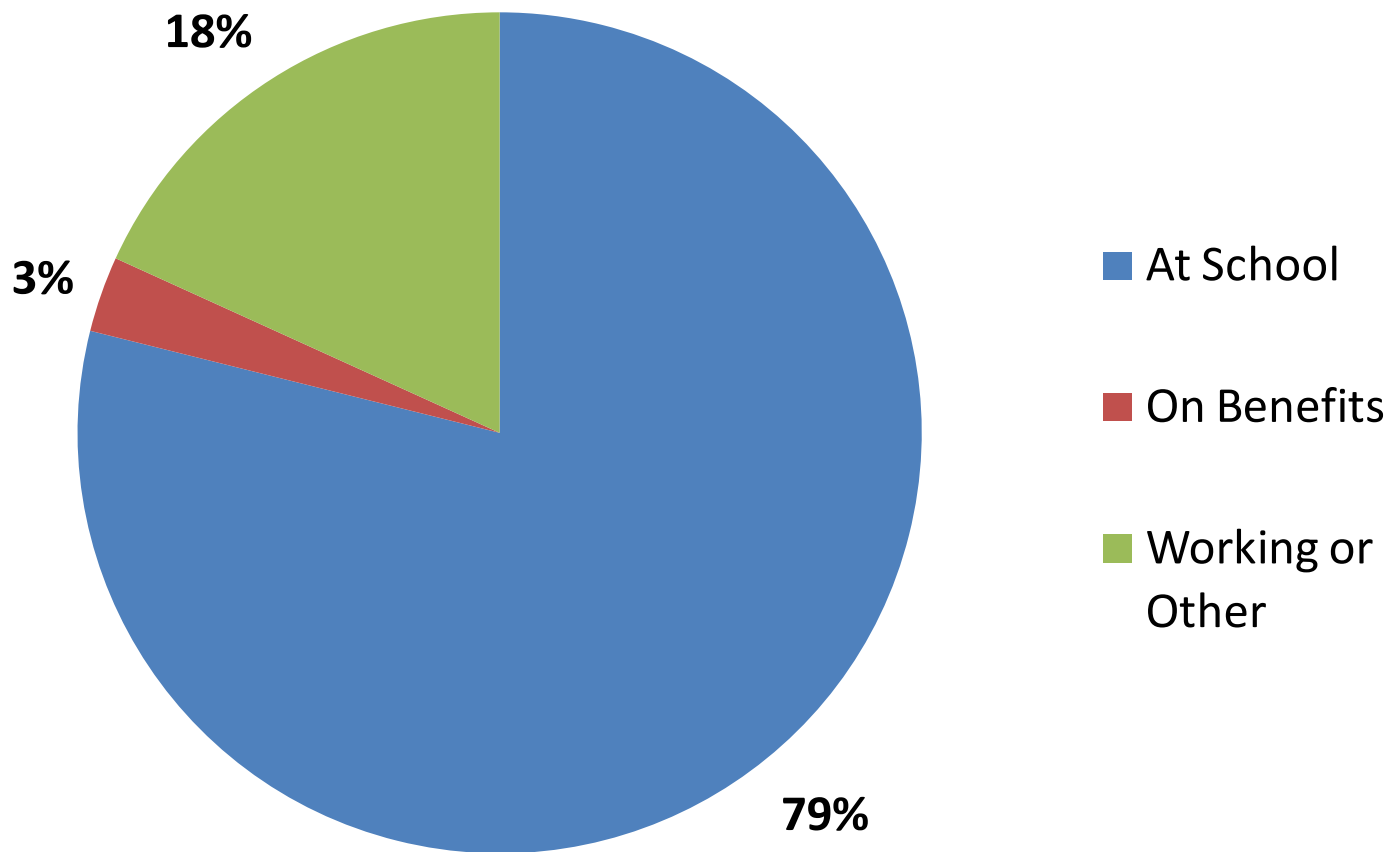


Data Analysis

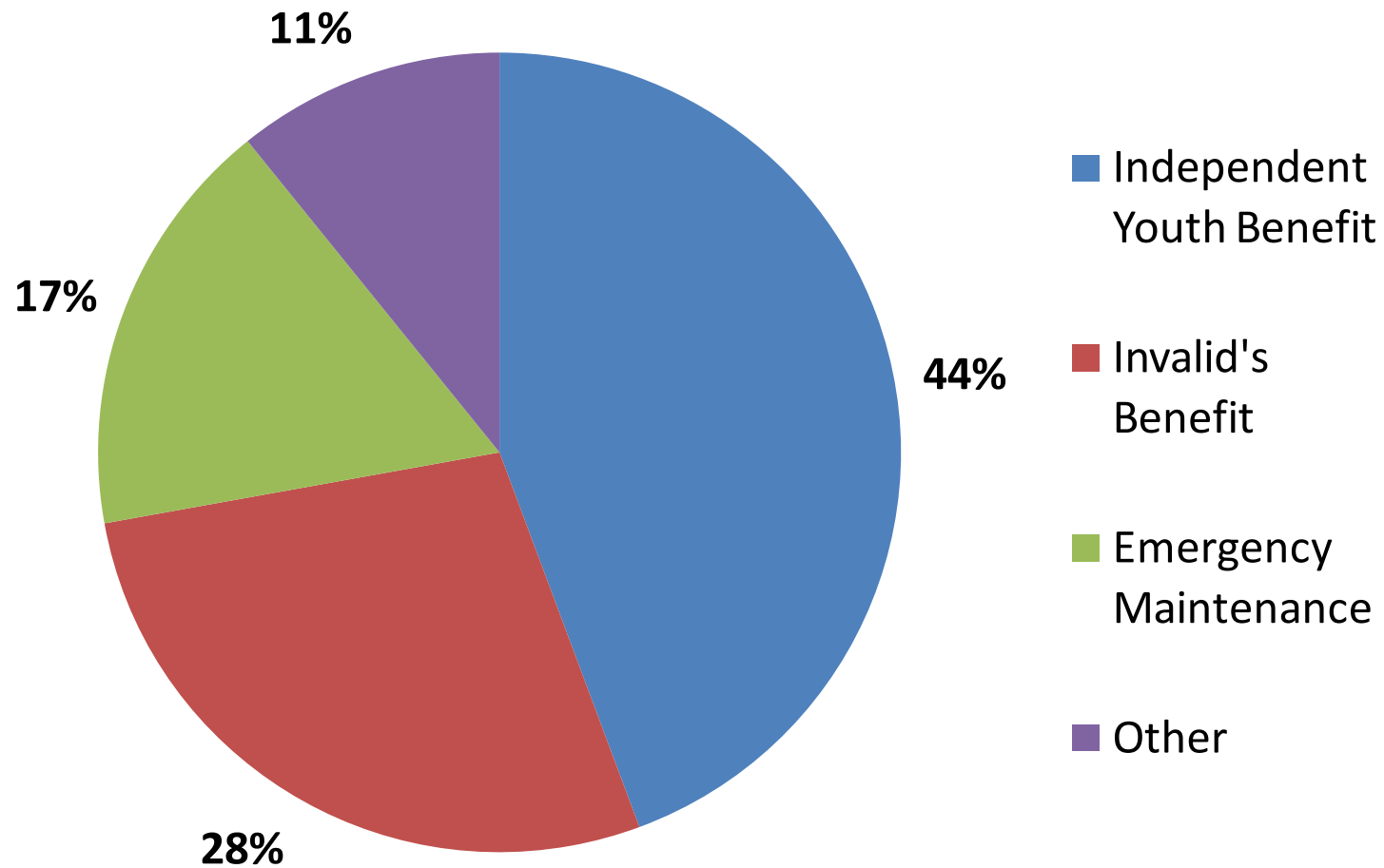
- Welfare Justice has not had the resources for its own data analysis, but we would certainly have welcomed the chance to participate in a discussion about the way data are used by the Welfare Working Group.
- For example: “We expect that half of young people who enter the benefit system before their 18th birthday will spend five or more years out of the next 10 years on benefit, based on a cohort who entered in 1999.” (Executive Summary, p. 12)



16-17 Year-Olds in June 2010



16-17 Year-Olds on Benefits



Data Analysis

- New Zealand has created a particular system for the well-being of children born with significant physical or mental impairments.
- Part of that system involves the young person receiving the Invalid's Benefit once they reach 16.
- These young people may receive this benefit for the rest of their lives, but not *because* they received it before they were 18.



Avoiding the *Hard* Questions

- A feature of *every* social welfare system is that there are *always* hard choices to make.
 - High abatement rates versus wide abatement ranges.
 - Parental responsibility versus the well-being of a young person at risk.
 - Disincentives for accepting paid employment versus standard of living if jobs are unavailable.
- In my view, the public communications of the WWG avoids hard questions.



Avoiding the *Hard* Questions

- This is consistent with the approach taken *not* to report on submissions that disagreed with the Working Group's themes, which also means the hard questions are avoided.
- To give what I think is a representative example, consider the issue of whether a person on one of the four core benefits will be better off financially if he or she moves into full-time employment.



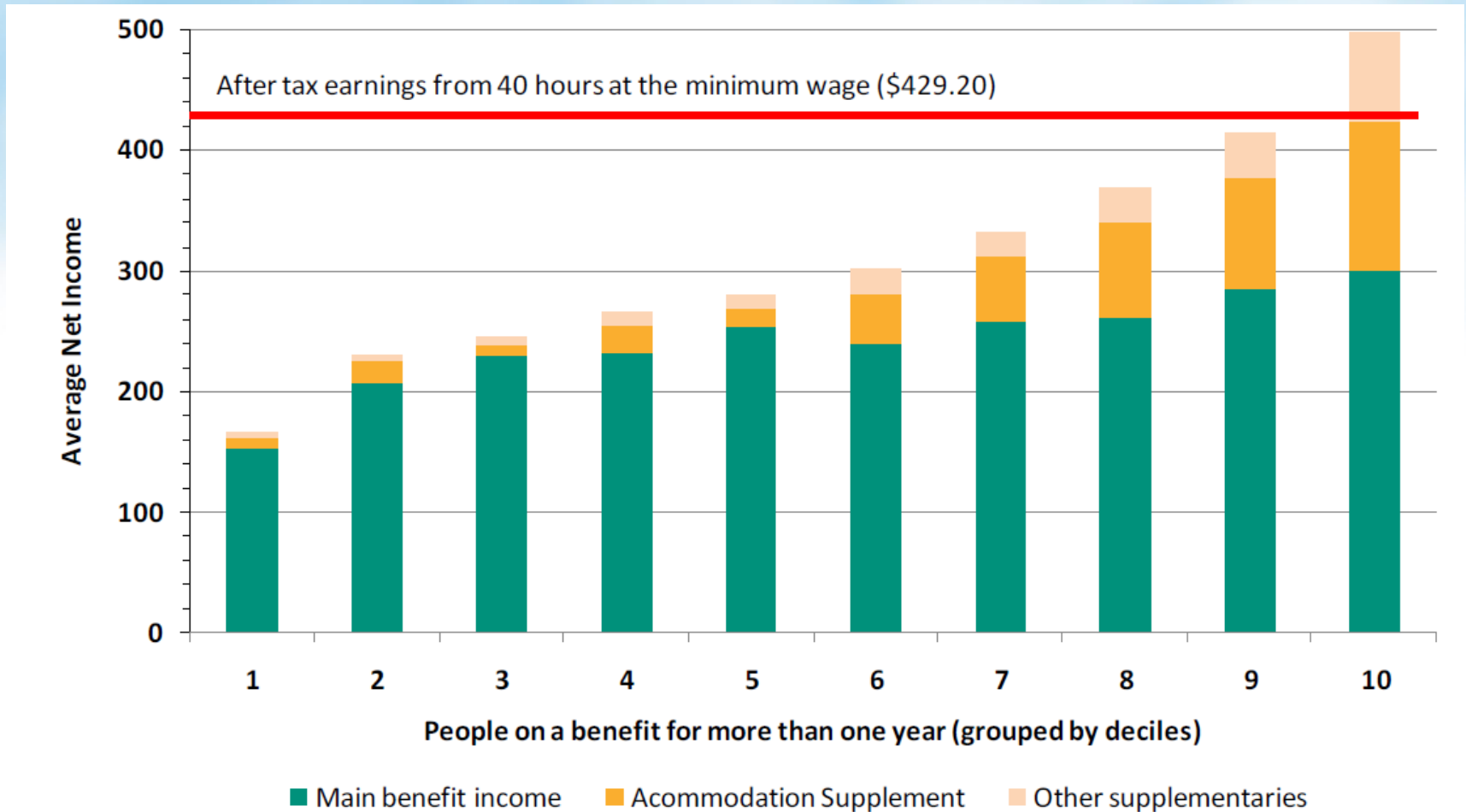
Avoiding the *Hard* Questions

“Most beneficiaries currently have a financial incentive to work for 40 hours per week. ... More detailed analysis shows that over 93 per cent of people are more than \$120 better off in 40 hours of work at the minimum wage, and that fewer than 1,000 people receiving a main benefit are worse off in 40 hours of paid work.”

- *The Issues* report, p. 99



Net Weekly Income, March 2010

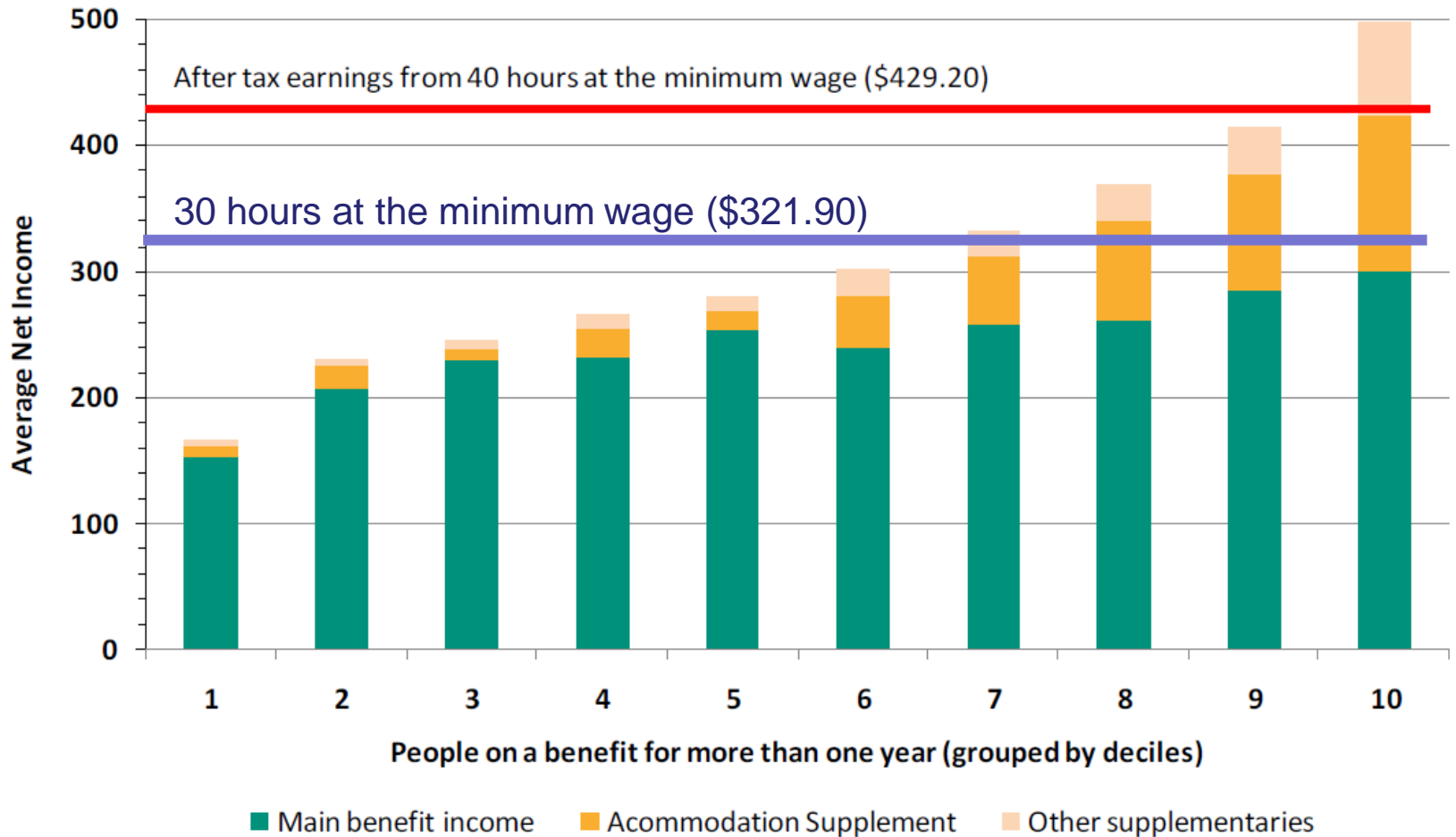


Avoiding the *Hard* Questions

- Assuming 40 hours per week for a full-time job means there are no hard questions raised by the analysis.
- But full-time employment in New Zealand is defined as 30 hours.
- Benefits are fully abated at 30 hours.
- A beneficiary would not be allowed to refuse offers of jobs adding up to 30 hours on the basis that he or she requires a 40-hour job.



Net Weekly Income, March 2010



Avoiding the *Hard* Questions

- If we use the 30-hour definition, 40 per cent of beneficiaries are not financially better off working at the minimum wage.
- Another 20 per cent are less than \$50 better off per week, before paying any extra work-related costs (such as transport or childcare).
- This raises some *hard* questions that were specifically addressed in the submissions both working groups received.



Avoiding the *Hard* Questions

Submission from members of the Department of Public Health at the University of Otago:
“Low paid work also raises the risk of children being in poverty particularly where sole parents are employed, as wages commensurate with skilled work are required to cover the household expenses. A low paid, unskilled job, such as office cleaning, will not cover basic outgoings where there is only one adult earner in the household.”



Avoiding the *Hard* Questions

The Marmot Review of Health Inequalities in England (2010, p. 26): “Insecure and poor quality employment is also associated with increased risks of poor physical and mental health. ... Work is good – and unemployment bad – for physical and mental health, but the quality of work matters. Getting people off benefits and into low paid, insecure and health-damaging work is not a desirable option.”



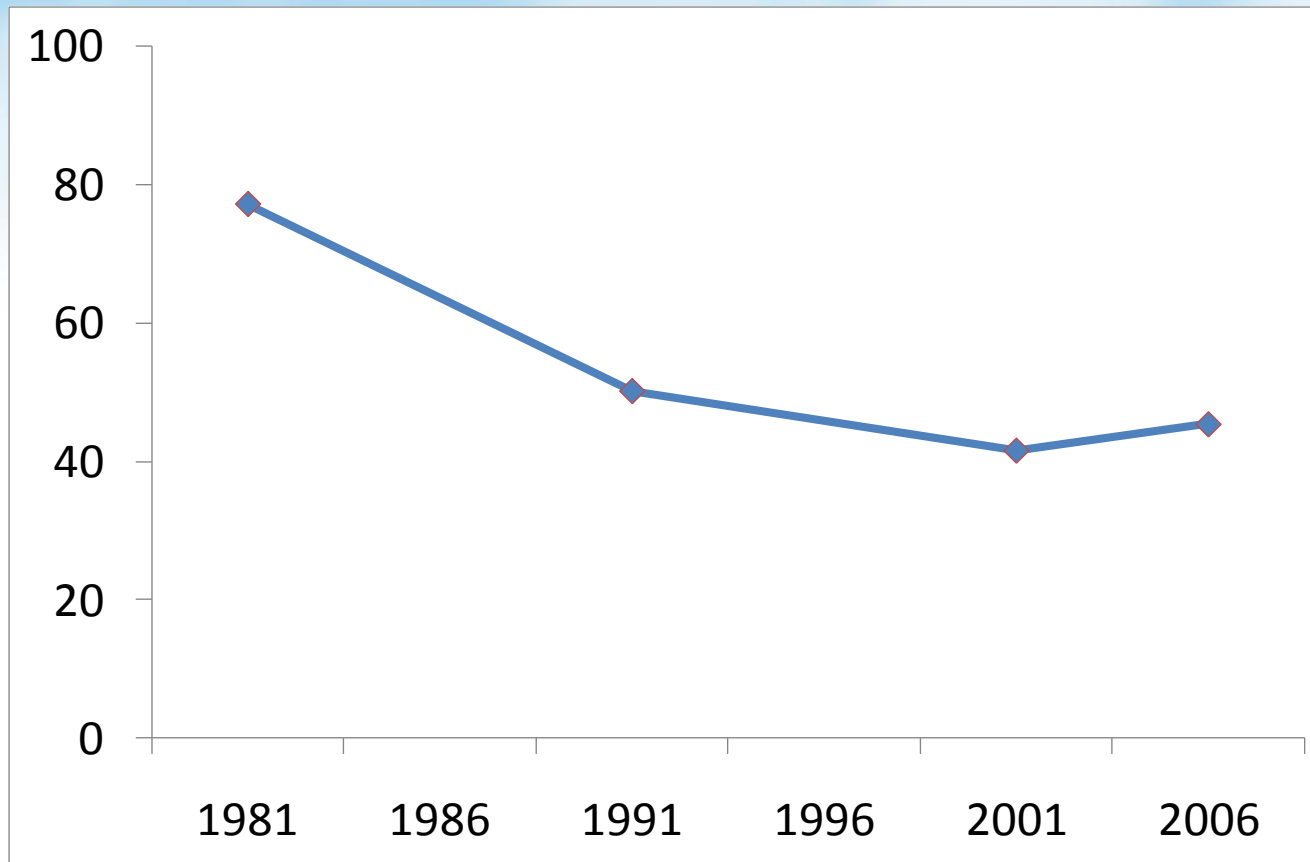
Avoiding the *Hard* Questions

Paul Spoonley's research has documented a major shift in paid employment, away from 'standard work' (defined as waged or salaried employment for 30-50 hours per week, without holding multiple jobs) towards 'non-standard work' (all other patterns of paid employment).

See his chapter in J. Bryson (Ed.) *Beyond skill: Institutions, organisations and human capability* (Houndmills: Palgrave Macmillan, 2010).



Per cent of jobs that are “standard”



Avoiding the *Hard* Questions

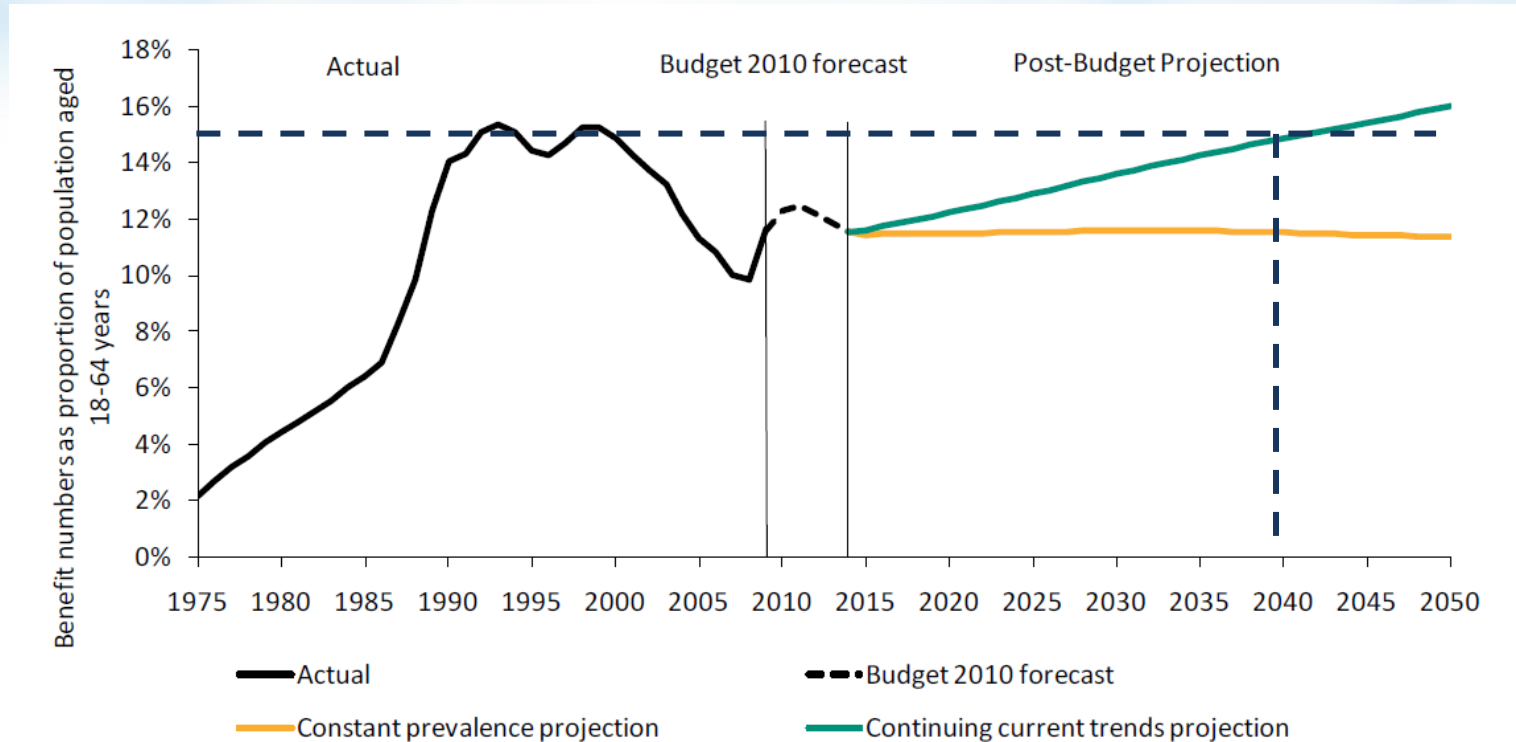
“There has been an ongoing reluctance locally to concede that non-standard work has now become a major feature of employment in New Zealand. ... One of the issues was that much of the policy framework was built around explicit or implicit assumptions of full-time paid employment, and accommodating non-standard work was a significant challenge.”

- Spoonley, 2010, pp. 95-96.



Forecast increase in benefit numbers

We have a generation (30 years) to fix this, so let's invest in our current children.



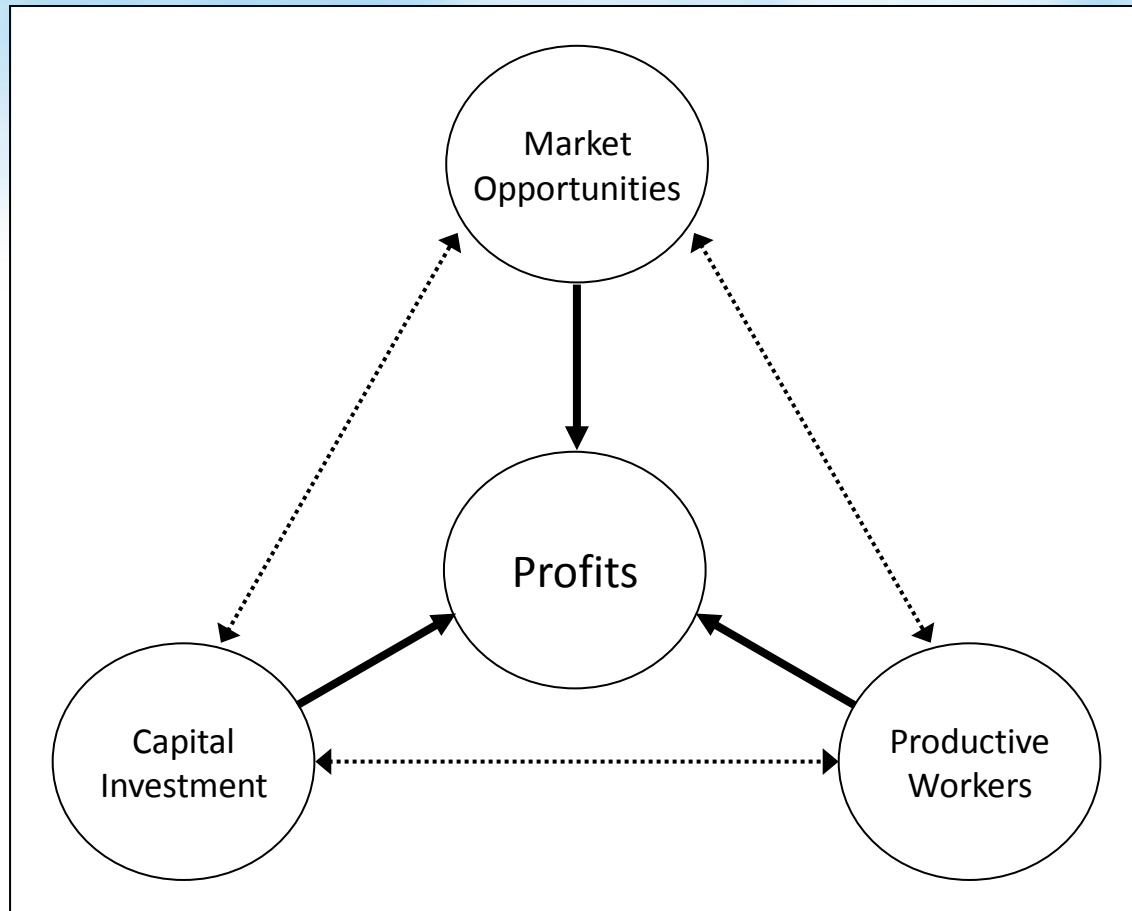
Investing in Skills

“For example a 55-year-old labourer with a sore back goes on a sickness benefit. It is unlikely he will return to labouring work. It might be more useful to focus on what other skills he has that might be able to be enhanced. He might be better categorised as *lacking in skills* than being sick.”

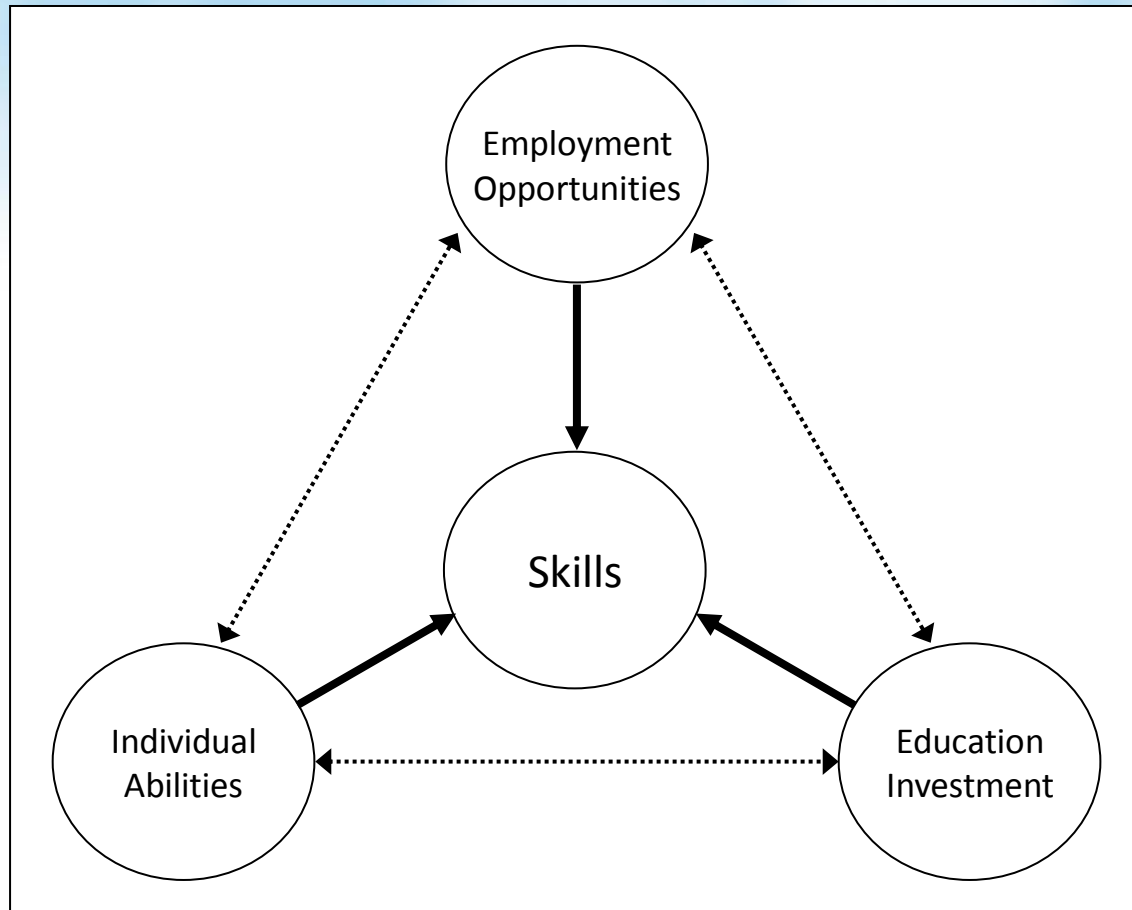
– Submission to WWG, cited on p. 75
(emphasis added)



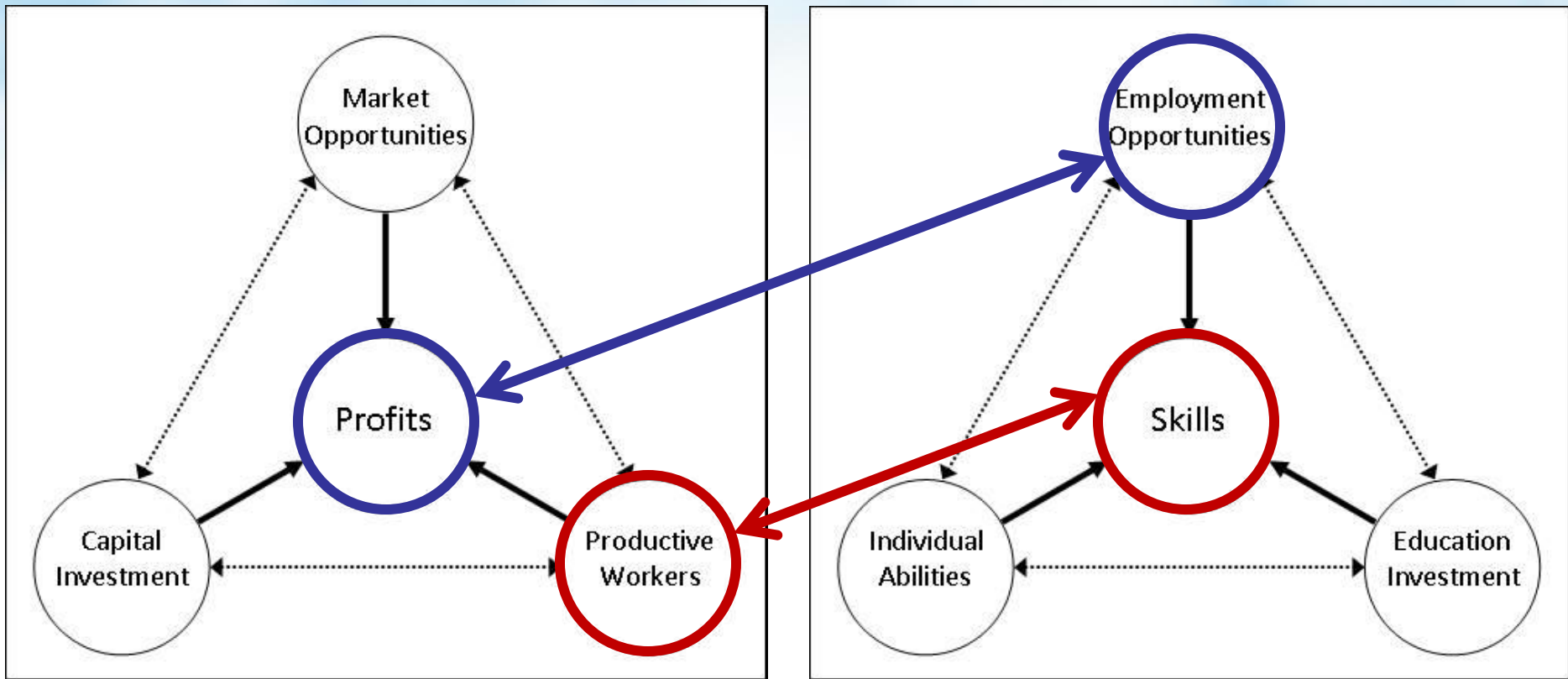
What are skills? Start with Employers

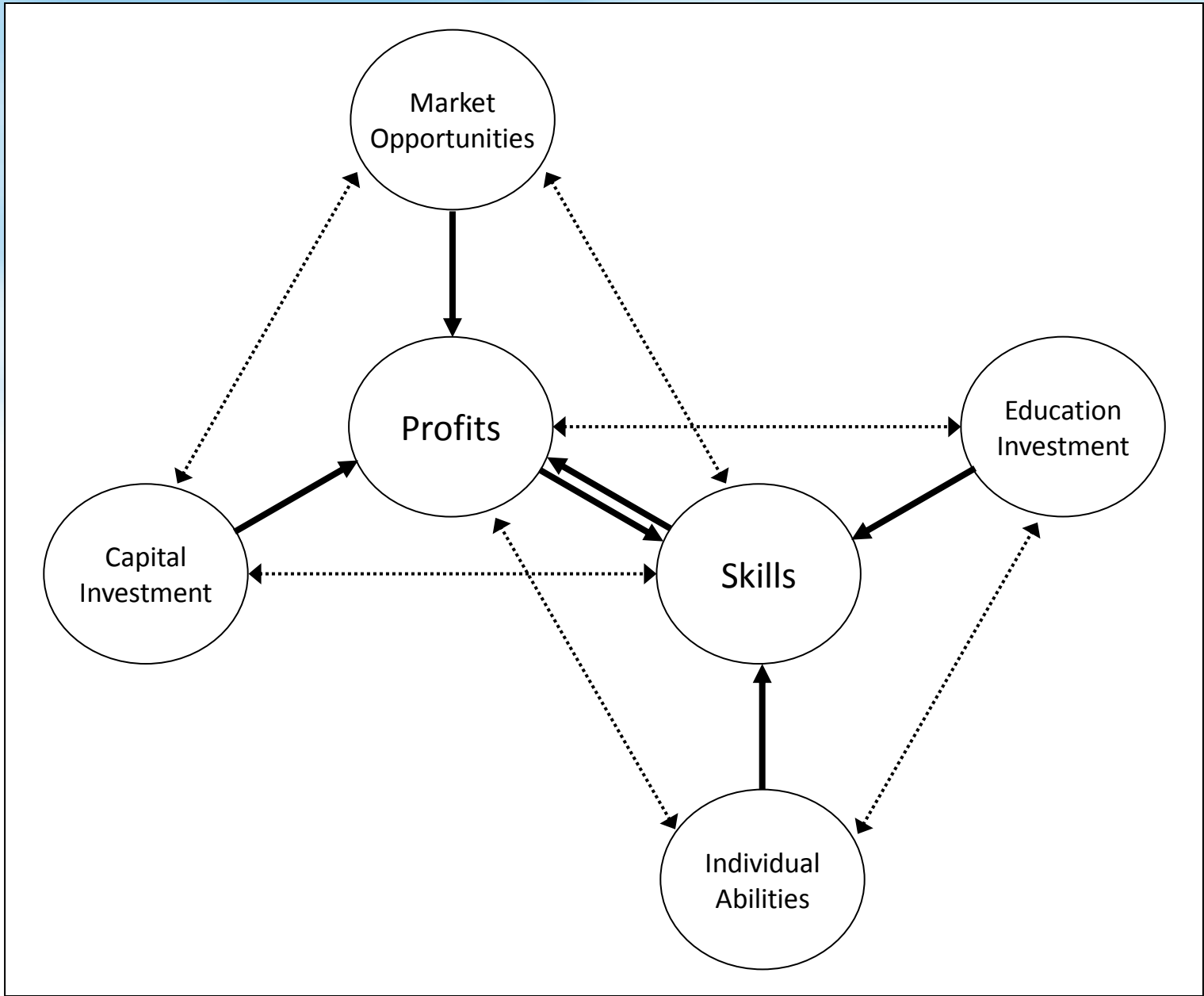


What are 'Skills' for Employees

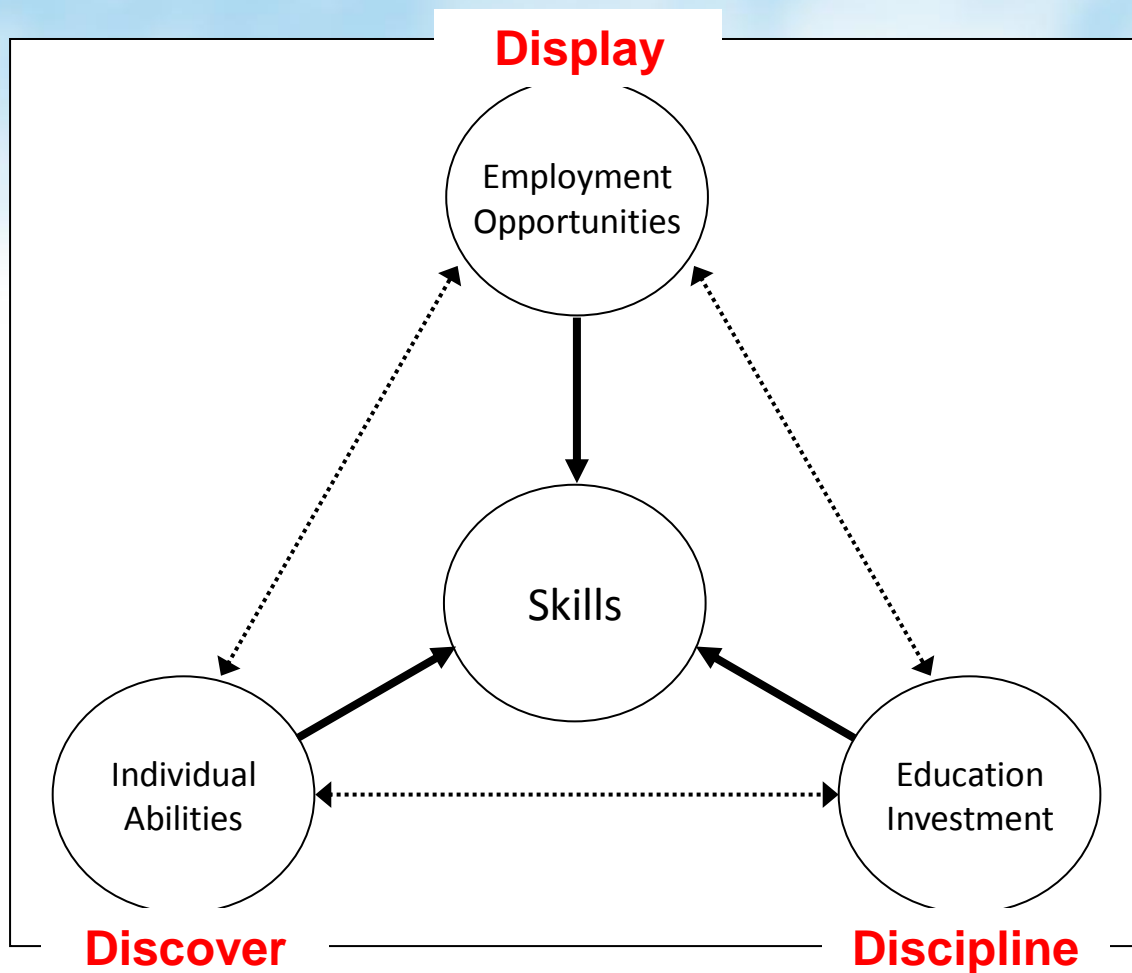


Profits and Skills go Hand in Hand





Skills come from learning to learn



Investing in Children

“There is a small number of children in our schools who are struggling – for all sorts of reasons. The number varies. The Minister of Education believes the number is one in five. This is still just less than the OECD average of 21%, but significantly higher than the numbers cited by educators and leading academics, who agree the reality in our primary schools is more like 15-16%.”

- Ernie Buutveld (2010).



Investing in Children

- There are about 400,000 primary school students in New Zealand, so that even the lowest figure of 15% suggests 60,000 young people struggling at primary school.
- We need to meet the educational needs of these primary school pupils as an effective way of reducing the number of people who go on to receive welfare benefits for lengthy periods later in their life.

