

The Jobs Letter

No. 128

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Essential Information on an Essential Issue

KEY

MAHAREY ON BENEFIT REFORM

SINGLE BENEFIT BY 2002

MILLIONS WITHHELD BY 'DISCRETION'?

SOUTHLAND FREE FEES

SOCIAL WORKER SHORTAGE

DIARY

13 July 2000

National Party deputy leader Wyatt Creech says that Jim Anderton's proposal to pay under 20yrs olds to do training is "just dreaming". Creech argues it would cost \$200m/yr just to pay the unemployed people, apart from the cost of providing the training. He also fears the scheme would encourage people to leave school early.

Speaking at the Local Government NZ conference in Christchurch, Minister of Social Services and Employment Steve Maharey urges local government to take the same interest in social issues as they are beginning to take in the economic development area. Maharey: "Local government used to be about roads, rats and rates. Now any self-respecting local council sees employment as an issue it needs to take leadership in. The same emphasis needs to apply in social issues..."

14 July 2000

More staff are planned for rural and small schools next year. An extra 160 full time teacher equivalents will be spread across 460 schools that receive Targeted Rural Funding and have rolls of less than 200 children.

17 July 2000

Business confidence has fallen to its lowest level in 16 years, according to the latest NZ Institute of Economic Research Business survey.

- Social Services and Employment Minister Steve Maharey has announced that the government is working towards a **single benefit for everyone on welfare** except superannuitants. He hopes to have plans for a "universal benefit" **finalised by 2002**, or the final year of this term of government.

The plans for a single benefit mean that all beneficiaries, except superannuitants, would receive the same benefit ... and then have the ability to earn a "top-up" by doing training, voluntary work or study that improves their chances of getting a full-time job. There will also be top-ups for personal circumstances, such as dependent children.

- Finance Minister Michael Cullen first looked at the concept of a universal benefit when he was Social Welfare Minister in the last Labour government. Maharey says that his reasons for the reform are the same as Cullen's — **the benefit system is too complex**. He says his reforms will develop a simple system that rewards people who make the effort to become independent.

Maharey: "We want to make sure the system is always one that encourages people to do something, rather than encourages them to stay on the dole. People wanting to get more money than provided by the core benefit would know they had to take on extra responsibilities, such as training or education, to earn it."

- For Maharey, the introduction of a single benefit will be the final stage of his **reforms of the welfare system**. The first stage, for which legislation will be introduced in the next parliamentary session, will include:

- replacing the community wage with an unemployment benefit and a separate non-work tested sickness benefit from 1 July 2001. This reduce the number of benefit categories from seven (within the community wage) to a total of five (within the two new benefits);

- embodying work-test obligations in an individual "job seeker agreement" developed between the beneficiary and the Department of Work and Income from 1 July 2001;

- encouraging participation in community activity, voluntary work or suitable training;

- making unpaid community work a voluntary encouraged activity from 1 December 2000;

- replacing the complicated graduated sanction regime with a single sanction for serious non-compliance from 1 July 2001;

- repealing the provisions relating to the failed work-capacity assessment trial;
- and, increasing the income thresholds for eligibility to disability allowance from 1 January 2001.

- The reinstatement of the unemployment benefit and a separate non-work-tested sickness benefit will spell **the death of the community wage**, and the **work-for-the-dole scheme**, introduced in 1998 by Peter McCardle. McCardle's scheme was part of the coalition government demands by NZ First, and it made work-testing compulsory for most beneficiaries — including single parents and people on sickness benefits — who faced sanctions if they failed to do "community work" in return for their benefits. Maharey says that, under his reforms,

The Jobs Letter : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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The Jobs Letter

DIARY

18 July 2000

Bryan Philpott 1921 – 2000.
Economist.

Steve Maharey receives a report on the Department Work and Income's administration of the student loan scheme. The report says that Winz ignored advice from the institutions that had previously administered the system. Some of the recommendations in the report include reviewing on-campus support, simplifying correspondence to students, reviewing the verification of study process and providing better staff training and information.

The ANZ considers dropping its monthly newspaper job advertisements survey because of the rising and unpredictable impact of internet job sites. ANZ economist Bernard Hodgetts says that many job seekers are now posting their resumes at specialised web sites that employers can go directly to. The ANZ may scrap its survey of newspapers if it finds the information is being distorted by the impact of internet job matching.

Last year's G7 summit in Cologne was hailed as a great victory for the Jubilee 2000 campaigners who were working for the debt relief of the world's poorest countries. For example, last September, British Chancellor Gordon Brown promised that debt relief would only be a matter of weeks and promised that 25 countries would have all their debts to Britain cancelled by the end of 2000. The accepted belief has been that the developing world's debt crisis has been solved ... but nothing is further from the truth, according to the *Guardian Weekly*.

The paper reports that only five countries (Uganda, Bolivia, Mozambique, Tanzania and Mauritania) have had any debt relief — but nothing like the amounts they need. Britain has only succeeded in canceling the debts of one country, and the US Congress is holding up its pledge of \$600m for debt relief. *Guardian Weekly*: "There is a real danger of the campaign's momentum fading away and that Jubilee 2000 will close up shop in six months before its goal has been reached in even one country."

community work will not be imposed arbitrarily on every jobs seeker. Subsidised voluntary and community work will continue, but he anticipates that numbers will stay at about 13,000 people ... the same as now.

- Maharey is adamant that the introduction of a single benefit **will not affect the existing income of beneficiaries**: "That's a cast-iron guarantee. This government certainly doesn't see the benefit cuts that were made in the 1990s under national as something that we would like to see happening again..."

The planned changes will also see a **greater flexibility for decisions** available to the front-line staff Winz who will gain the power to waive stand-down periods and use discretion to make decisions based on each client's personal situation. This discretion will be operated within budgets given to the Winz Regional Commissioners.

- Whether giving more 'discretion' to frontline Winz staff under a single benefit system will actually get the money to poorer people is a moot point, according to Wellington welfare advocacy groups. Last weekend, the **Wellington People's Centre** and the **Downtown Community Ministry** released a report, entitled "*Still Missing Out*", which claims that **Winz has not paid millions of dollars in benefits to households that are eligible**.

The report estimates 170,000 households may be entitled to the Special Benefit based on the amount they pay for accommodation. Only 11,000 households receive the payment now. It is estimated that the rest are owed more than \$130m per year in benefit payments.

- Recent information, obtained by the advocacy groups from Winz under the Official Information Act, shows that two out of every three beneficiary households receiving the Accommodation Supplement **are missing out on their entitlement for a Special Benefit**. The advocacy groups say that Winz has ignored government guidelines on these payments, and is not telling people of their entitlement — a move that is leaving the average beneficiary household short of \$1180 a year. The report: "Instead of alleviating the poverty experienced by NZ's most disadvantaged households, the Department of Work and Income has been significantly contributing to it. They have helped widen — not to close — the gaps..."

"*Still Missing Out: how welfare entitlement is denied*" report prepared by Graham Howell, David Simmers and Kevin Hackwell, is available from the Downtown Community Ministry phone 04 384 7699 email dcm@paradise.net.nz

- This week's *Listener* contains a special report by Gordon Campbell on the Winz Special Benefit payments. It shows that the numbers being granted the benefit **have fallen away dramatically** over the last five years. In 1995, 37,077 people were receiving the special benefit (at a cost of \$77m), yet by January 2000 the number had dropped to 10,915 — a decline of 70.6% (and the cost has dropped to \$29m). This has happened **despite an increase in the numbers of beneficiaries** by 10%, and without any major rule changes to restrict access to the Special Benefit.

The *Listener* speculates that the government **may be liable for retrospective payments** to beneficiaries, dating back to 1995, with the potential claims reaching a billion dollars. The *Listener*: "As the winebox saga has shown, companies will fight tooth and nail to extract every ounce of legal entitlements

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To develop and distribute information that will help our communities create more jobs and reduce unemployment and poverty in New Zealand.

TRENDS



MAHAREY *on* BENEFIT REFORM

Social Services and Employment Minister **STEVE MAHAREY** outlines his vision for social assistance, and his plans for benefit reforms.

- The Government wants to build a modern social security system which is tailored to the needs of individual beneficiaries and which offers people opportunities to increase their skills so that can earn a decent wage in a decent job.

New Zealand's social security system is like a venerable ocean liner - a ship of state, but it has received nothing more than a new coat of paint now and again over the years. It is high time that we looked at the system itself to determine if it is the right vessel to carry us into the new century.

WHAT ARE THE ISSUES?

- A significant proportion of the working aged population is in receipt of a benefit, even at a time of economic growth. Many people keep re-cycling through the benefit system, having difficulty staying in sustainable paid employment. Some segments of the population experience social exclusion. While there are multiple causes to these problems, the design and delivery of social assistance is one area where Government can make a difference. The Government is of the view that we should aim to have more people in sustainable employment, and that we should support social participation for those for whom employment is not an outcome.

The present system is difficult to understand, to access and to deliver. Some people are unnecessarily *locked into* the system, are *not encouraged* to take opportunities or to develop their own capability, or are *locked out* of the system because they do not know how to get support that is available. There are poverty traps so that some people are no better off if they earn income from employment. There are particular problems for Maori and Pacific people in accessing assistance.

- The Government's present work programme is informed by the need to develop a system that promotes human capability and supports people to be in paid employment, where this is possible. The future system should have smoother programme interfaces and should reward effort. It should be more responsive to local realities and should be more tailored to individual circumstances. An effective social assistance system will be more responsive to the needs of Maori and can play a significant role in closing gaps.

- The Government is committed to replacing the Community Wage with an unemployment benefit (UB) and a non-work tested sickness benefit (SB). This delivers on specific policy undertakings and represents a first step in reshaping social assistance. The Government will also be moving to make changes to the work test and sanctions regime, which will simplify them, and to a re-orientation of "community work".

There are links between this work on benefit reform and social assistance, and other work the government is undertaking on the Employment Strategy, the Government's Response to the Hunn Report; the Closing the Gaps initiative, and the Regional Development Strategy.

Because society has become more diverse and the economy more open, this government is reviewing aspects of the benefit system to ensure that there are not disincentives for people to re-enter the workforce. At a high level our goal should be to have more working aged people in sustainable employment, and to support social participation for those for whom employment is not an outcome (or not an outcome at this stage).

- In terms of the working aged population, we are facing a number of problems:

- more people are on a benefit for longer periods;
- a significant proportion are re-cycling back through the system, having difficulty maintaining sustainable participation in paid employment; and
- we are experiencing social exclusion of segments of society, particularly the most vulnerable groups, including Maori, Pacific peoples, and the disabled.

There are multiple causes to these problems, related to factors as diverse as:

- the state of the economy (e.g. UB numbers largely mirror changes in GDP);
- changing social values (e.g. the value put on work participation);
- the design and delivery of social assistance programmes; and
- the extent to which other policy areas help prevent or reduce the impact of certain outcomes (e.g. morbidity, skills development etc).

- The government can influence or control some of these factors more than others. Improving social assistance design is one area where improvements can be made which will contribute to improved outcomes. The system could better support human capacity development and paid employment, especially for those at risk of long term unemployment, in low paid employment or with a marginal attachment to the labour market.

The current system has difficult interfaces which create barriers. The interaction of tax, benefit and supplementary programmes has created poverty traps, so that some people are no better off if they earn some income from employment.

"The Government's approach is about investing in New Zealanders — it benefits the individual because they are more likely to gain a sustainable job and it benefits the country because the lifeblood of a modern economy is skilled workers.

— Steve Maharey, Minister of Social Services and Employment

- Aspects of the system are dated. It was developed in the 1930's to deal with a simpler society, where needs were more likely to be short term. The system has not responded well to the changing nature of employment and to fluctuating incomes — through more casual work, part time employment, seasonal work and contract work.
- We must recognise that globalisation has brought changes to the employment market. This means that we need to offer New Zealanders opportunities to increase their skills if they are to gain stable jobs in our modern economy. Our social security policy must be related clearly to our employment policy in areas like training, regional development, research science and technology and small businesses.
- Our vision for the social security system is one where individuals are offered assistance targeted to their particular needs.

The vast majority of unemployed beneficiaries want to work and will do so if a suitable job is available. However many of the longer term employed will need extra assistance to increase their work skills and to retrain them for employment in a modern economy.

It is the job of the social security and employment system to provide security for those who need it, and opportunities for those who can take them.

The Government's approach is about investing in New Zealanders — it benefits the individual because they are more likely to gain a sustainable job and it benefits the country because the lifeblood of a modern economy is skilled workers.

LOOKING TO THE FUTURE

- The Government is seeking a social assistance system that is more effective in supporting better social outcomes. It should aim to promote security by focusing on the development of human capability and on supporting people, wherever possible, to be in paid employment, rather than passively paying benefits.

It should address barriers to participation in the economy and society rather than add to them, so there is improved reward for effort. It needs to be more responsive to local realities, should be more tailored to individual circumstances through the development of case management.

Different parts of the system should work together and interfaces (e.g. benefit/tax and benefits/housing assistance interfaces) would be well designed and managed. It should support and be supported by effective delivery.

People should know what they are eligible for, and how to get, it with the system *helping them through* various stages so they can be confident that they will get what they need when they need it. This will contribute to reducing poverty.

- The approach the Government is taking replaces the current emphasis on compulsion, with a focus on sustainable results though working with people to increase capacity and generate opportunities. There is more focus on skill development. There is more recognition of the need to be more responsive to the local environment, and to the particular needs of the individual — one size does not fit all.
- The preferred end point is a simpler system underpinned by a core benefit so that unnecessary rules and differences in treatment are removed.

Add-on payments oriented to encourage people to take up opportunities and the likes of post placement support and exit management could be part of an investment in human capacity. Effective child-care assistance (including out-of-school care) is an example of such an add-on.

Further work is required to develop policy options. There will be trade-offs between some aspects, for example, simplification on one hand and greater individualisation on the other. Policy options will also need to recognise fiscal constraints as well as delivery and implementation limitations.

Sources — Steve Maharey "Social Assistance and benefit reform — What are the Issues?" special to The Jobs Letter 28 July 2000; Press Release "Maharey announces first stage of benefit reforms" 17 July 2000.

The Jobs Letter

DIARY

19 July 2000

Heinz-Watties intends to increase its Hastings workforce by 50 people ... but this planned increase follows the closure of the company's Melbourne plant where 190 people have been made redundant. All Heinz-Watties canned baked beans, spaghetti and soup for NZ and Australia will now be manufactured at the Hastings plant.

20 July 2000

Twelve Modern Apprenticeship Programme co-ordinator positions are announced, and Steve Maharey says he expects to see co-ordinators put 500 new apprenticeships in place by the end of the year. The twelve co-ordinators are to run pilot programmes across 18 industry sectors. Initially they will be working with training providers to set up training arrangements and then they will develop links with schools and community organisations to create entry points for young people into the programme. The co-ordinators will also work with industry groups to locate employment and training opportunities and they will provide apprentices with one-to-one mentoring support.

21 July 2000

Leaders of the world's Group of Eight industrial countries gather on the Japanese island of Okinawa. The G8 nations include the United States, Japan, Germany, France, Britain, Italy, Canada and Russia. Top of their agenda is how to bridge the digital divide between rich nations rapidly adopting information technology ... and poor countries where even a basic telephone, let alone the internet, can be a distant dream.

A major internet campaign has been running this week to lobby the G8 leaders to honour their agreements on debt relief for the world's poorest countries. Jubilee 2000, the coalition of NGOs that has turned the debt issue into a global movement, has previously surrounded summit meetings with peaceful human chains. The remote Okinawan hideaway has proven a logistical challenge for the activists, and this time they have tried to create a "virtual human chain" and surround the leaders with an online email campaign for debt cancellation.

owed them under the tax laws — and it is difficult to see why the poor should forgo the opportunity to seek payments to which they are entitled, and need.”

- Winz rejects the advocacy groups' report and says it has done nothing wrong. Winz National Commissioner **Ray Smith** says the Special Benefit payments are “highly discretionary” and **not an entitlement**. Smith: “It is not simply that there is a deficiency of income and therefore there is qualification, because it is not an entitlement as such.” Smith says that the advocacy groups have given the Special Benefit “core benefit status” instead of looking at it as a third-tier benefit designed to alleviate temporary hardship.
- Social Services Minister Steve Maharey is taking the advocacy groups' allegations seriously, and is **calling for a second opinion** on the *Still Missing Out* report. He will be asking the Social Policy Ministry and the Labour Department to clarify the status of the Special Benefit and determine what procedures he needs to follow before issuing any new instructions to frontline Work and Income staff.
- The Southern Institute of Technology (SIT) has launched a plan that will see **students fully subsidised for their course fees**. The fees will still be levied under the plan, but paid for by local community funds ... in effect, giving every student at the SIT a full-fee scholarship.

SIT chief executive Penny Simmonds last week outlined the concept to a meeting of Project Southland, a lobby group of Southland business and political leaders. SIT wants **\$11.2m from community funding** groups over three years to establish the scheme, after which the programme will become self-funding. Some of this money will be used in building a new arts centre to cope with the expected influx of students — projected to rise by 1,100 after three years.

- Simmonds argues that the Southland community **can expect high returns**, in terms of local economic development, from an influx of students into the area. The Institute calculates that the students would inject an additional \$19m into the Southland economy in its first year and up to \$30m after three years. The economic impact of having the students in Southland is based on the “multiplier effect” of the way their money is spent in the community on accommodation, transport, and entertainment.

BNZ chief economist Tony Alexander told the *Southland Times* that the SIT has used conservative figures in these calculations in the economic impact of a fee replacement scheme. He believes **a multiplier figure of 2 or 2.5** could be used in the institute's case.

- Local business-people have embraced the proposal. Chamber of Commerce president Wayne Affleck says it is a great concept. Affleck: “The proposition to optimise the SIT has got to be the ultimate dream. Students and new graduates would be a huge resource for the business community to use for developing new ideas and research...”

The Community Trust of Southland says it has not received any official application for funding yet, and it would need to consider issues such as the commercial impact on the region, fairness to all southern students at tertiary institutions, and the Trust's existing bursary and scholarship schemes. The Invercargill Licensing Trust seems enthusiastic about the proposal, describing it as a “win-win” situation for the local community.

- **Skill Shortages**. NZ's tertiary institutions are **only providing half the trained social workers** that this country needs, adding to a national shortage, according to the Department of Child, Youth and Family Services. Chief social worker Mike Doolan told parliament's social services select committee last week that CYFS is losing a “worrying number” of young and qualified staff

The Jobs Letter

DIARY

23 July 2000

The G8 Summit ends in Okinawa. The leaders have taken no new steps to cut debt owed by the world's poorest countries.

24 July 2000

Ian MacKintosh, CEO of Waipareira Trust, unveils plans to open a multilingual call centre in West Auckland. MacKintosh says the centre will have the potential to employ 300 people and is part of the trust's plan to move away from dependence on government contracts.

25 July 2000

Parekura Horomia, first-term MP and ex-CEO of the Community Employment Group, gains Cabinet approval to become the next Minister of Maori Affairs.

26 July 2000

The growing and marketing of industrial hemp in NZ comes one step closer as Customs Minister Phillida Bunkle gives her officials the go-ahead to begin negotiations with industry representatives. Bunkle: "I am personally convinced that hemp is a wonderful, natural product and it presents us with an excellent opportunity for economic development in many of the regions currently experiencing difficulties..."

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overseas. He says that NZ needs about 800 newly qualified social workers each year, but the tertiary institutions are only turning out about 400. Doolan: "As an employer, the shortage of graduates is a huge problem for us..." The CYFS is presently staffed by a mixture of qualified and unqualified (but experienced) workers. Figures released to *The Dominion* show that less than 40% of its front-line staff have the level B or level six social work qualification that the CYFS wants its staff to have.

VOICES

on the SINGLE BENEFIT

"Vague indications by Steve Maharey of a move to a universal benefit are doomed, and will cost hundreds of millions of dollars. Unless there is a commitment to seriously increase welfare funding, a universal benefit can never be implemented."

"The concept of a universal benefit has been around for years, but the reason it has never been implemented is the enormous cost. Raising 260,000 benefits by \$40.00 a week will be an impossibility for a Minister who failed to win any additional funding in the budget. This initiative from Mr Maharey has raised expectations, but is doomed to fail. The Minister is developing a track record for doing just that..."

— **Dr Muriel Newman, ACT Welfare Spokesperson**

"Suggestions that a universal benefit will simplify the benefit system are wishful thinking. On the one hand the Minister says he wants a simple system; on the other he's proposing a system which requires individual tweaking for each beneficiary. That is not a recipe for simplification."

"A core benefit available to everyone must necessarily be set at the lowest level. Add-ons for individual circumstances must therefore be applied for. Every beneficiary will either want or need to apply for those add-ons — resulting in a bureaucratic labour-intensive process with huge potential for errors and inconsistencies."

"It's a policy that sounds good in theory but won't deliver in practice. It gives the illusion of simplicity - but if you drill down it is complicated and messy. It is clear that a lot more work is required..."

— **Belinda Vernon, National Party Work and Income spokesperson**

"If it means simplifying the benefit system ... it can only be for the good, because at the moment the system is very complicated. That complication allows for administrative mistakes, and it allows for people to slip through the cracks. If we've got a system that's more uniform at the base level, it makes life a lot more easy for everyone..."

— **Kevin Hackwell, director Wellington Downtown Community Ministry**

"Labour's plan to introduce a 'universal benefit' is a rehash of their 1990 policy. Labour's universal benefit is more correctly called a 'generic benefit' — a general rather than a specific benefit. The change is largely semantic. Further the semantics are wrong; this is no more than a step towards a universal benefit. There will still be groups of people called beneficiaries who are distinct from fulltime workers who are distinct from students who are distinct from housewives who are distinct from superannuitants..."

"The new generic benefit may be a small step in the direction of a genuine universal benefit. But it's only one step in five. When we really do achieve universal benefits, then there will be a change in our psychology. We will come to see benefits for what they are; not handouts but individualised public property right."

— **Keith Rankin, economics columnist and advocate for a Universal Basic Income (UBI)**

"A flat benefit rate is the first decent idea this government has proposed in eight months. Our preference is for zero dollars a week."

— **Richard McGrath, Libertarianz Deputy Leader.**