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Letter to Members of Ministerial Group on Welfare Reforms

**Re: Welfare Working Group's Report: Reducing Long-Term Benefit Dependency: Issues pertaining the wellbeing of children.**

I am writing to draw your attention to eight issues pertaining to the wellbeing of children as you consider the recommendations of the Welfare Working Group (WWG).

The WWG Report's aim to improve outcomes for children, and to have ongoing assessments of any welfare changes on the well-being of children is to be applauded. However from a children's perspective the Report was limited, and thus some important issues appear to have been overlooked.

I am writing to you about this, because as a paediatrician I see many children with preventable diseases causing life-long damage (such as bronchiectasis - permanent lung scarring from respiratory infections) founded in lack of resourcing of their families. As an academic I am aware of the evidence showing that our children's health outcomes are poor by international standards (1), some preventable childhood diseases are increasing (2) and that under-resourcing of the most disadvantaged children by state policies is a factor (3).

**The issues are:**

1. Every child reaching his/her full potential is necessary for the economic future of New Zealand.
2. The importance of investing in the early years so that children reach their potential.
3. Requiring a sole parent to job seek when baby is one year old will be damaging to some children. Requiring all sole parents to job seek when their youngest is three years old will be unduly harsh for some children.
4. Sanctions against sole parents who do not comply will harm children, due to reduction in resources.
5. The reality for children of sole parents is harsher than this report describes.
6. New Zealanders work when there are jobs.
7. Threshold and abatement of earnings from paid work should be structured to enable the transition for parents from 'not working' to 'working part time' to 'working full time'
8. Cuts in welfare in 1991 drove children into poverty, not parents into work.

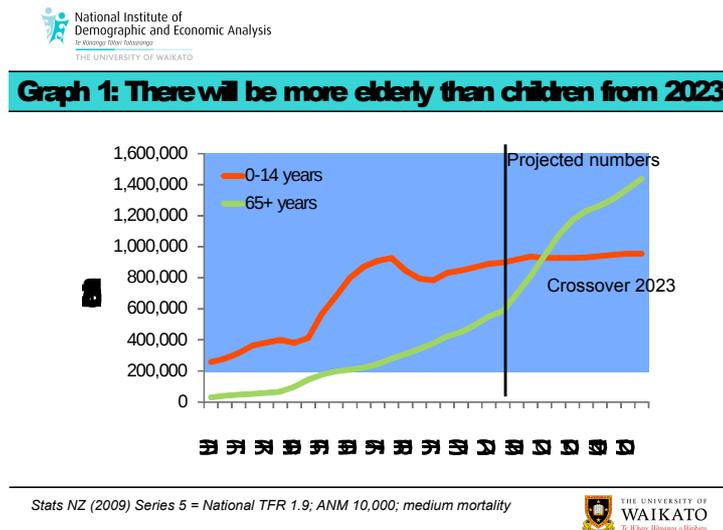
**1. Every child reaching his/her full potential is necessary for the economic future of New Zealand**

For the economic prosperity of New Zealand, it is vital that every child reaches his/her full potential.

While this has always been an ideal it is a very pressing issue now because we have too few children to support our ageing population.

Graph 1 below shows that there will be more elderly New Zealanders than children in just 12 years (source Professor Natalie Jackson 2011 National Institute of Demographic and Economic Analysis, University of Waikato).

Adults 65 yrs and over (the green (light) line) will exceed children 0-14 years (the orange (dark) line) for the first time in NZ’s history in 2023, because the baby boomers are reaching retirement and living much longer than their forebears, and the number of children is static. The number of younger people available to provide the work and tax income needed to support the elderly will be insufficient. Thus every child must be enabled to reach their maximum potential to contribute to society.



**2. The importance of investing in the early years so that children reach their potential**

The importance of investing in the early years has been demonstrated forcefully by Professor Sir Peter Gluckman and his task force in their report “Improving the transition. Reducing Social and Psychological Morbidity During Adolescence”, May 2011 (4).

The Gluckman report shows how New Zealand has high rates of poor outcomes for many of our teenagers, and that investment early in life, especially for those who are disadvantaged is crucial to change outcomes for the better. As stated in the report:

*“Social investment in New Zealand should take more account of the growing evidence that prevention and intervention strategies applied early in life are more effective in altering outcomes and reap more economic returns over the life course than do strategies applied later. This will require long-term commitment to appropriate policies and programmes.”*

**3. Requiring a sole parent to job seek when baby is one year old will be damaging to some children. Requiring all sole parents to job seek when their youngest is three years old will be unduly harsh for some children.**

The first three years of life are vital for attachment between child and parent. Secure attachment is the basis for healthy emotional, social and intellectual development. These in turn are the foundation for a productive, satisfying life. The one-on-one relationship is critical for the child’s future development (4). This relationship is much less likely to be provided by a profit-seeking childcare provider than a parent.

The unpaid work of nurturing needs to be given high value - not just job seeking and paid work. Parents of babies and young children should not be labelled job seekers. They already have the crucial job of caring for their children, which should be viewed by the State as paramount.

In New Zealand, when the youngest child is 0-2 years of age 50 % of partnered parents are not in paid work. When the youngest child is 3-5 years of age 33% of partnered parents are not in paid work (WWG Report Figure 3.1 page 66). Given that the resources of two parents are considerably greater than those of a sole parent, it would be unreasonable to expect that sole parents would be in paid employment to the same extent. Yet the WWG Report appears to aim to have more sole parents in paid work than partnered parents.

The WWG Report's Recommendation 11b requires a sole parent to look for work when a baby is only 14 weeks old (rather than stay at home with the child and choose when to enter the workforce). On page 78 it is stated "*A minority of members of the Working Group preferred measures which impose obligations which commence when the additional child is 12 months old*". A requirement for a sole parent to meet work obligations when a baby is 14 weeks old or 12 months old will be damaging to some children because of loss of their secure attachment.

The WWG Report's Recommendation 5b i c '*for sole parents with a child under three years of age to be required to undertake activities which prepare them for a return to paid work, such as developing a return to paid work plan and undertaking employment coaching and other job-related training*' will be unrealistic for some families, as will a requirement for all sole parents to job seek when their youngest child is three (WWG Report's Recommendation 5b i a). Families where these requirements will be unrealistic are likely to have multiple disadvantages, recurrent sicknesses in adults and children and high stress (which often go together). To encourage parents to prepare for, or undertake paid work is reasonable, but requirements to do so and sanctions when they don't are likely to damage some children's potential because of the extra stress on the parent, or absence of the parent.

Early childhood education (ECE) centres are seen as the way to take care of the children when parents are in paid work. However the provision of ECE centres is patchy: it is recognised that there are insufficient in the more disadvantaged areas (where disproportionately more sole parents are likely to live). For example the level of availability of ECE places in South Auckland is just two thirds of the national average and that in some communities within South Auckland it is less than half (6). Thus, in locations where there are insufficient ECE places, sole parents will have nowhere to send their children while they pursue paid work. This aspect is not adequately addressed in the Report.

In addition, the hours that ECE centres open do not match the hours of many low paid jobs, such as in supermarkets and some cleaning jobs, where the work may be required in evenings, nights or weekends. Who will look after the children?

#### **4. Sanctions against sole parents who do not comply will harm children, due to reduction in resources.**

Sanctions for not seeking or taking up paid work are not appropriate when there are insufficient jobs available, which is the case in New Zealand now.

Sanctions against sole parents who do not comply with going into paid work will harm children directly due to reduction in resources. As the reasons a sole parent does not job seek are likely to be complex, effective supportive case workers are needed to encourage and support parents and facilitate opportunities for them, rather than sanctions against them.

The level of benefit for sole parents is already too low for most families, causing many of them to live in severe or significant hardship (7).

Reduction or removal of welfare assistance for sole parents as described in the WWG Report's Recommendation 9b (i) and (ii) will damage already disadvantaged children. The statement 9b (iii) "there be requirements to ensure the interests of children are safeguarded" lacks any detail to ensure that all the needs of children of such parents will be met – financial needs, emotional needs, and so on. It is hard to conceive how such 'safeguarding' would be achieved by the State.

While the WWG Report on page 120 mentioned parent's responsibilities under the United Nations Convention of the Rights of the Child (UNCROC) (8), it was most surprising that the many statements in UNCROC on the State's responsibilities towards children were not mentioned at all. In particular UNCROC states:

*"Articles 3 (1) In all actions concerning children, ...the best interests of the child shall be a primary consideration. (2) States Parties undertake to ensure the child such protection and care as is necessary for his or her well-being, ...and, to this end, shall take all appropriate legislative and administrative measures.*

*Article 24 (1) "States Parties recognize the right of the child to the enjoyment of the highest attainable standard of health and to facilities for the treatment of illness and rehabilitation of health. States Parties shall strive to ensure that no child is deprived of his or her right of access to such health care services."*

*Article 26 (1) States Parties shall recognize for every child the right to benefit from social security, including social insurance, and shall take the necessary measures to achieve the full realization of this right in accordance with their national law*

*Article 27 (1) States Parties recognize the right of every child to a standard of living adequate for the child's physical, mental, spiritual, moral and social development.*

*Article 27(3) States Parties, in accordance with national conditions and within their means, shall take appropriate measures to assist parents and others responsible for the child to implement this right and shall in case of need provide material assistance and support programmes, particularly with regard to nutrition, clothing and housing."*

It is vital that all the State's obligations specified in UNCROC are met for all NZ children.

## **5. The reality for children of sole parents is harsher than this report describes**

The reality for children of sole parents is harsher than this report describes, for many reasons including:

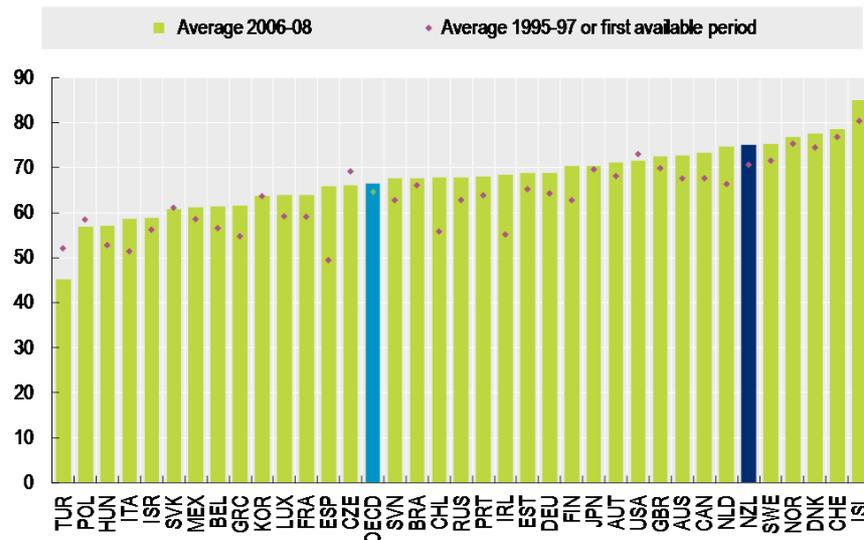
- Jobs for sole parents are not often available to suit the hours of children's education, including early childhood education, and holidays.
- Time spent travelling to and from work and childcare often requires small children to have their sleeping and eating habits permanently disrupted.
- Early childhood education centres are harder to find in localities where greater numbers of sole parents live.
- The severe stress and isolation that many sole parents and their children experience is not explored in the report.
- The reality of looking after a sick child or children while being required to job seek or do paid work is not acknowledged in the report.
- The reality of living in substandard and/or overcrowded housing, being stressed, having insufficient money to cover all essentials including nutritious food, which lead to illness in the child and the parent, is unacknowledged.

## **6. New Zealanders work when there are jobs**

New Zealanders are quick to take up work when there are jobs. Graph 2 below shows how New Zealand is 6<sup>th</sup> in the OECD for the % of the working age population who are actually in paid work - the dark column 6<sup>th</sup> from the right – behind Israel, Switzerland, Denmark, Norway and Sweden (Source: Professor Paul Dalziel 2011 Lincoln University).

This demonstrates that the key issue for the number of people in New Zealand on benefits is not lack of a wish to work, but rather a lack of jobs.

**Graph 2: Employment Ratios in the OECD**



**7. Threshold and abatement of earnings from paid work should be structured to enable the transition for parents from ‘not working’ to ‘working part time’ to ‘working full time’**

Threshold and abatement of earnings from paid work (the way a benefit is reduced as more income is earned) should be structured to enable the transition from ‘not working’ to ‘working part time’ to ‘working full time’. Parents on a benefit often take up part time paid work while on the benefit, as a key step to getting back into the work force, and the current rules on threshold and abatement help this transition. Part time paid work enables the possibility of moving in due course to full time paid work.

Currently the ‘abatement-free zone’ (threshold) for the Domestic Purposes Benefit (DPB) is \$100 (and it should be adjusted for inflation), and when extra \$100 to \$200 are earned from paid work the benefit abates at 30 cents in the dollar. Thus a sole parent on a DPB who earns an extra \$100 takes home around \$80.50 of this.

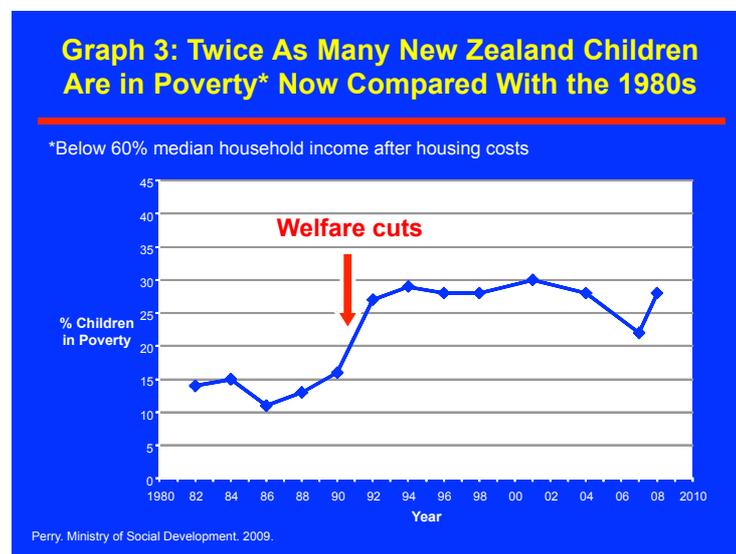
However the WWG Report recommends (top of page 28) the threshold of earnings is reduced to only \$20 and the abatement increased to 55 cents in the dollar. Thus a sole parent on a DPB who will earn an extra \$100 will take home around \$40 of this. These changes would provide no incentive at all to taking up part time paid work while on a benefit, and would thus become an obstacle to entering the fulltime paid workforce in due course.

Moreover this approach by the WWG Report signals that full time work is the preferable step to take from being on a benefit, but as explained in section 3 of this letter, many parents – especially sole parents - are unable to work fulltime because of being available for their children’s needs.

**8. Cuts in welfare in 1991 drove children into poverty, not parents into work.**

The cuts in welfare in 1991 resulted in doubling of the proportion of children in poverty as shown in Graph 3 – this should not be repeated as it would make the current bad situation for many children even worse.

The ‘welfare cuts’ policies led to the rise of preventable diseases like rheumatic fever, pneumonia, bronchiectasis, and serious skin infection which resulted in expensive hospitalisations, and for some children in permanent disability. The meningococcal epidemic, fuelled by household crowding, caused many deaths and lifelong damage and had to be controlled by a costly immunisation programme. The health status of our children for preventable diseases remains poorer than pre-1990's levels. The long term costs of medical care and disabilities (all preventable) are likely to have outweighed any savings from the welfare cuts.



On behalf of New Zealand children, and all New Zealanders wanting to have a good future for our country I urge you to reject the following recommendations in the WWG Report:

Recommendation 5b) i a, i c

*The Welfare Working Group recommends that sole parents receiving welfare:*

- a. *be required to seek part-time paid work of at least 20 hours per week once their youngest child is three years of age;*
- c. *who have a child under three years of age:*
  - *be required to undertake activities which prepare them for a return to paid work, such as developing a return to paid work plan and undertaking employment coaching and other job-related training;*

Recommendation 9 b) i-ii:

*“The Welfare Working Group recommends that:*

- i. *recipients who do not meet their obligations would be subject to:*
  - a. *graduated reductions in their welfare assistance of:*
    - *25 per cent of their payment for a first failure;*
    - *50 per cent of their payment for a second failure;*
    - *100 per cent of their payment for their third failure; and*
    - *a 13-week stand-down for a fourth or any subsequent failure;*

- b. a minimum stand-down period of two weeks for each failure, before payment be restored after re-compliance activity has been undertaken;
- ii. obligations be effectively enforced, with transparent monitoring and reporting of the number and duration of stand-downs and reductions imposed;

Recommendation 11b) i

*The majority of Working Group members recommend that where a parent has an additional (second or any subsequent) child while receiving assistance from the welfare system (except where they are pregnant at the time of coming into the welfare system):*

- i. expectations to look for work should begin once the youngest child reaches 14 weeks old, in line with current paid parental leave provisions and subject to the availability of affordable childcare and out-of-school care, except where there is already a child under three years of age. In that case the person's job search obligations would be determined by the elder child's age; and
- ii. Government monitors the effect of this policy. If it is not effective, Government should consider whether further financial disincentives are necessary, including that parents not qualify for any additional financial assistance through the welfare system for any additional children born whilst in receipt of welfare, other than access to emergency assistance.

The alternative recommendation to Recommendation 11b) i is that "expectations to look for work should begin once the youngest child reaches 12 months old" (WWG Report page 78). This should also be rejected.

Recommendation 20 d (i-ii)

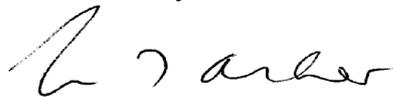
*that the way Jobseeker Support is reduced as more income is earned (abatement) be better aligned with paid work expectations. Consideration should be given to:*

- i. there being as small as possible abatement-free zone (for example \$20) for those with paid work expectations;
- ii. there being a single abatement rate which cuts out at approximately 30 hours paid work at the minimum wage for a single recipient (for example, a rate of 55 cents in the dollar);

I feel it is vital that I bring these particular issues concerning children to your attention. Given the potential long term impacts for New Zealand as a country if we continue to under-invest in children (and pay later in medical and societal costs), I would urge you to keep the wellbeing of children at the forefront of your minds as you move into the debate of the Welfare Working Group's recommendations.

If there is any further information you require, or if you wish to talk about any of these issues, please do not hesitate to contact me.

Yours sincerely



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**Copies to:**

Prime Minister Key  
Other Government Ministers  
Leader of the Māori Party  
Leader of the Labour Party, and Social Policy spokesperson  
Leader of the Green Party  
Leader of the ACT party  
Children’s Commissioner