

Seven Steps for a Fairer Future



Fairer Future Collaboration
May 2022



Executive Summary

- The Government recognised the ongoing problem of low levels of income support exacerbating poverty at Budget 2021. Despite the increases in that Budget, a majority of New Zealanders still believed income support should be lifted, and research has shown significant income deficits for nearly all families receiving income welfare support.
- We note that across all measures, Māori, Pacific and disabled peoples are disproportionately affected by poverty and that for Māori, such impoverishment over 182 years is inconsistent with the spirit, the vision and text of Te Tiriti o Waitangi.
- Since Budget 2021, the Delta outbreak and now the Omicron outbreak have impacted families and communities. Prices have risen, and there has only been the opportunity for limited additional support, reinforcing the need for further welfare changes.
- In the lead-up to Budget 2022, the Fairer Future collaboration is calling for core benefit levels to be raised to the level of liveable incomes, along with minimum wage increases; and would like to see an increase in the Disability Allowance, relationship rules overhauled, sanctions removed, a wiping of debt owed to MSD, and improvements to supplementary assistance and urgent grants.



Background on the Fairer Future Collaboration

- 75 organisations signed a [letter](#) in 2020 calling for the Government to increase income support before Christmas: “the same common sense approach” to COVID-19 should apply to income support to ensure everyone “has a liveable income”.
- Those organisations decided to continue campaigning for increases in income support in the lead-up to Budget 2021 as the Fairer Future collaboration, which commissioned [polling](#) at the beginning of 2021 showing 69% of New Zealanders backed increasing income support and coordinating a series of opinion pieces documenting the experiences of people in the welfare system.
- The Government announced modest increases to income support at Budget 2021 – and the Fairer Future collaboration considered these changes would not make a significant difference to the lives of people on income support.
- Polling directly after Budget 2021 [showed](#) 60% of people still backed further increases in income support – and the Fairer Future collaboration committed to continuing its work through to Budget 2022.
- The Fairer Future collaboration is currently made up of a range of groups, including advocacy groups (like Auckland Action Against Poverty), disability groups (like the Disabled Persons Assembly), trade unions (including FIRST Union), charities, and social service providers. A full list of the groups who have endorsed this action plan are at the end of this document.



What We Are Asking For

Te Tiriti o Waitangi and The Welfare System

Fairer Future calls for the Government to recognise the links between colonisation, income support and Te Tiriti o Waitangi. Many of the changes that are needed, for example on relationships rules and in approaches to addressing poverty and supporting whānau out of hardship, are a result of a system that has not properly enabled authority to Māori under article 2 of Te Tiriti o Waitangi, or lived up to the promise of equity and protection under article 3. The findings set out in [Pu-ao-teatatu](#), the 1988 report written by a group chaired by John Rangihau, remain relevant over 30 years on. Māori must have the opportunity to practise the rangatiratanga guaranteed to them under Article 2 of Te Tiriti o Waitangi for sustainable and enduring solutions to be found.


Climate Justice, the Just Transition and the Welfare System

One of the Government's focuses in Budget 2022 is climate change. As industries change and develop in response to climate change and environmental breakdown, it is important that individuals and communities feel secure as they shift work or their way of living. A robust system of income support - which is accessible and provides liveable incomes - is crucial to providing income security to people as they transition into low carbon roles.

1. Increase core benefit levels to the standard of liveable incomes

An update of Welfare Expert Advisory Group 2018 modelling, commissioned by Fairer Future, has found that significant deficits between income entitlements and basic expenditure will still exist after the April 2022 benefit increases for almost all WEAG model households. For example, in mid-2022:

- The model couple with three children receiving Jobseeker and paying low rent would need around \$300 extra a week (or 29% additional income or around \$16,000 a year) to meet their total costs (including kids' sport, contingency for eg car repair, etc). To solely meet their core costs (rent, food, power etc), they still need a whopping additional \$165 a week (15% more income or \$8,600 a year).
- The model one-parent and three children receiving Sole Parent Support and paying low rent would require around an additional \$240 a week to meet total



costs (or nearly a quarter more income: 23%); or an additional \$111 a week solely to meet core costs (10% additional income or \$5,770 a year).

- Even if they are sharing a house to save on costs, the model single adult receiving Jobseeker would require around an additional \$90 a week to cover all costs (22% additional income) and \$50 a week income to cover core costs (12% additional income).

These and other examples indicate income inadequacy will still be severe and widespread among benefit recipients, even after the April 2022 benefit increases come into effect. (The inflation index used is the Beneficiary Household Living Cost Price Index (BHLCPi).)

Auckland has faced a lengthy lockdown in which limited new social support was provided to families and individuals in need. There have been reports of an [“avalanche of need”](#), and members of the Fairer Future collaboration are reporting extremely high levels of need in their communities, because of the inadequacy of income support. Housing, food and fuel prices have sky-rocketed, and the COVID-19 crisis has contributed to other costs increasing. In light of all of these things, and the inadequacy of the Government’s announcements in Budget 2021 core benefit levels need to be significantly boosted.

2. Raise the minimum wage to the living wage

During the COVID-19 pandemic, we have all relied upon essential workers delivering essential services. The pandemic upended claims about “low-skilled” and “high-skilled” work. [Politicians](#) repeatedly said that this was an opportunity to value supermarket workers, bus drivers, and nurses who have kept society functioning while also keeping all of us safe. But wages have not been lifted to reflect that rhetoric.

As already noted, costs of rent and food have also increased over the last year. The Council of Trade Unions (CTU) has noted [a 6% annual increase in rents across the country and a 4% annual increase in food prices](#), while wages have only moved up by 2.4%; the [most recent](#) stock and flow measures of rental prices show annual increases of 3.7% and 5.8%, respectively. The Fairer Future collaboration supports calls by the CTU and others for the minimum wage to be increased to the living wage level - currently \$23.65.



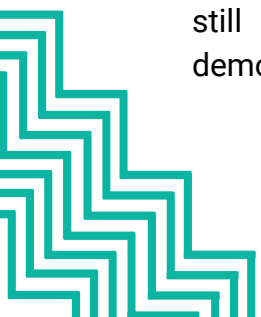
3. Increase the Disability Allowance


The changes announced in Budget 2021 focused on core benefits and did not affect Disability Allowance. A key concern of the Disabled Persons Assembly is that access to the Disability Allowance needs to be simplified, and that the current rate is insufficient in providing the support needed to cover disability-related costs.

The Government has announced a Ministry for Disabled People. It is now time, as many disability advocates and groups have said, for the Government to couple that organisational change with material change in the support disabled people can access. The Child Poverty Action Group's [analysis](#) shows that Child Disability Allowance has only been imperfectly adjusted for inflation since it was first introduced in 1978, and "the process of claiming [Disability Allowance] requires the time consuming process of regularly submitting receipts to claim back costs." The Welfare Expert Advisory Group suggested increases in the baseline rates of Child Disability Allowance and Disability Allowance. Fairer Future is calling on the government to increase both Disability Allowance and Child Disability Allowance. Following the call of the Disabled Persons Assembly, we call for the application process to be simplified and the Disability Allowance minimum to be set at the current maximum. The introduction of the Ministry for Disabled People should also be accompanied by better processes surrounding disabled people receiving support; there should be no need, for example, for annual confirmation (to be provided by disabled people themselves) of permanent medical conditions or burdensome requirements as part of "confirming ... circumstances". This requirement imposes a burden on disabled people and is a misuse of resources.

4. Overhaul relationship rules

Work & Income New Zealand, and the Ministry of Social Development, continue to apply rules that reflect outdated and Eurocentric models of families. People on income support have been told they owe huge amounts because it has been ruled that they are in 'a relationship in the nature of marriage' – and as [one article](#) pointed out earlier in 2021, this is often not consistent with tikanga Māori as well as creating real financial hardship for whānau. People who date others for six weeks, or have someone stay for three nights a week, can have their financial support cut - and these rules are often applied in arbitrary and inconsistent ways. The welfare system has not caught up with the tax system, which focuses on individual assessment. Instead, the welfare system is still founded on suspicion and providing the minimum possible support - as demonstrated by the ongoing resourcing of 'dob-in' welfare fraud phone lines. The





penalty for people considered to be couples leads to stress, especially for sole parents, when people re-enter relationships and encourages isolation or deception. The system should be individualised, with [flexibility](#) around new relationships, as recommended by the Welfare Expert Advisory Group.

5. Remove sanctions

New Zealand's welfare system is still full of sanctions, which threaten to remove aspects of support if people do not take sometimes quite demanding steps. A system of sanctions reflects suspicion towards income support recipients, stigmatising those in need of financial assistance. Sanctions cause stress and hardship, and it is not clear they have any positive effects.

The Welfare Expert Advisory Group's evidence paper on work-related sanctions (looking in particular at cancellation of benefits when job offers are refused) [said](#): “[e]mpirical evidence on the distinct effects of work-related sanctions is limited, and there is no New Zealand empirical evidence.” Evidence suggested people from disadvantaged backgrounds and minority ethnic backgrounds are most affected by sanctions; and “[e]vidence from the US and UK suggests that a very harsh sanctions regime can have important adverse effects that drive people away from, rather than closer to, employment, and might worsen rather than improve the long-term chances of children in the families affected.”

A June 2021 [report](#) by the Beneficiary Advisory Service showed that sanctions have often resulted in affected people going without necessities. The report noted that many affected by sanctions did not have a clear understanding of their obligations, in part because of poor communication by Work & Income New Zealand. The same individuals often experience anxiety and income precarity. It concluded that sanctions tend to encourage “ineffectual compliance”.

It was telling when the Government introduced its Covid Income Relief Payment in 2020, recipients of the payment were [not subject](#) to sanctions or conditionalities. The Government should now remove all sanctions as part of reinstating the right to a minimum standard of living through a system of income support, free of stigma and suspicion.



6. Wipe debt owed to MSD

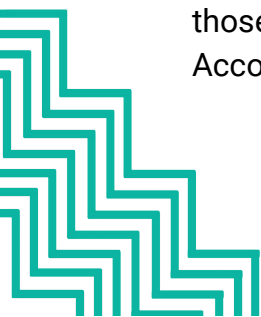
[OIA documents](#) show debt to MSD owed by benefit recipients has almost doubled in five years; 2021 was the first year it reached over one billion dollars (\$1007m, up from \$509m in 2016). Groups involved with Fairer Future also report people commonly getting into debt to cover essentials of life. Because income support is inadequate and unlivable, some of the poorest people in the country owe thousands to MSD that they will never be able to pay back.


It is a common and shocking experience for people on income support to learn they are in debt to the Ministry of Social Development (MSD), because MSD has judged their family circumstances have changed and has backdated what is owed. MSD can claim 'overpayments', which individuals often do not know anything about. Debt can drive people to a state of despair and has been [associated](#) with mental health problems, and also means less money is spent in the economy as any income that is received has to be directed towards repaying debt.

The New Zealand Herald [reported](#) in December that New Zealanders owed a total of \$1.9bn to the Government, for programmes originally designed to support those same people. This eye-watering debt is also the product of a rigid system (for example, through Working for Families) that provides support only to people in narrowly targeted categories. Māori face the highest average weekly repayment rate, followed by Pasifika; with women facing higher repayments each week than men. It appears that discretion has been exercised inconsistently when MSD negotiates weekly repayment levels. Alongside more systemic solutions to reduce the build-up of debt (such as the introduction of more universal public services), wiping the debt owed to MSD would be a prudent step for the government to take. Unlike in the case of debt amnesties for private creditors, no private industry would be affected. The Inland Revenue Department is already able to apply financial relief in cases of hardship. The Government also can establish legal authority to enable the wiping of debt owed to MSD. And this step would free people up from mental distress and hardship. We call on the Government to take this step in Budget 2022.

7. Improve supplementary assistance and urgent grants

Supplementary assistance plays an important role in providing targeted support for those who need it. The Welfare Expert Advisory Group recommended changes to the Accommodation Supplement to provide greater support to those in housing need. Fairer





Future wants to see the Government lift the rate of Accommodation Supplement, as well as make the changes recommended by the Welfare Expert Advisory Group, to ensure all wrap-around support that is available helps to ensure everyone can access a liveable income and healthy home. More robust regulation of rents is also necessary, as well as strategic market intervention to stabilise prices. Access to Accommodation Supplement should also be widened; it is currently unavailable to those with over \$8000 in cash assets, and this could be raised. Research by Motu [indicates](#) most of any increase in the Accommodation Supplement will benefit AS recipients, rather than landlords, in the form of higher after-housing costs incomes.

Working for Families payments require robust indexation in line with other types of support such as NZ Super. We're also calling for the removal of discrimination within the In-Work Tax Credit which means children whose parents are not in paid work miss out on essential support of at least \$72.50 a week compared to what peers, whose parents receive income from paid employment, are entitled to.

Urgent grants would be far less necessary if core benefit levels were set at the level of a liveable income. However, until core benefit levels are raised, there is a need to improve access and levels of these urgent grants, particularly as inflation increases (reaching record levels of 5.9% in January 2022), in part due to rising rents. No one should face destitution in this country. The Government expanded the group of people able to access hardship grants in [October 2020](#); thresholds should be raised further to ensure people get the support they need.

In addition to ensuring supplementary assistance keeps up with cost of living, we need to increase the abatement rate further as recommended by the Welfare Expert Advisory Group to avoid poverty traps for families.



Q+A

Q: Can the Government afford all this?

A: Yes. And we can't afford *not* to ensure our communities are released up from the burden of widespread poverty. New Zealand has very low government debt compared to similar countries, which means New Zealand can borrow more safely to spend to address unmet need. (The most recent [figures](#) have debt peaking at 40% of GDP in 2023, rather than 48% of GDP as earlier forecast.) Investment in income support is also likely to be good for the economy, as recipients are likely to spend it to create jobs and local growth. But more importantly, this commitment is about what our values and priorities are as a country: one of our priorities must be to ensure all people in Aotearoa have liveable incomes.

Q: Won't greater support for people on income support discourage people from getting jobs, and don't we want to get people into paid work?

A: Research shows that cash transfers to low-income households do not discourage paid work, and produce better outcomes over time.¹ Also, some people are unable to go out to paid work, such as many people on Supported Living Payment, people raising children alone or caring for other family members. Paid work is positive for many (not all) people - as long as it is well-paid, secure, enables family responsibilities to be carried out, and has good conditions and acknowledgement of workers' rights. All people benefit from being secure in the knowledge there is an adequate welfare system, if these criteria are absent or disappear.


Q: Isn't it important to reduce dependency on the welfare state?

A: The idea that people are 'dependent' on the welfare state came out of beneficiary-bashing, especially in the 1990s. We all sometimes need public services and support. Providing decent support that enables people to live good lives with opportunities should be a source of pride.

Q: Aren't there more important things for the Government to be doing, as it tries to fight COVID-19?

A: On the contrary, ensuring everybody has the means to look after themselves and their families, even when ill, is one of the most important things the Government needs to be doing right now. Providing the right support can strengthen progress in other areas, such as health, justice, and education. With so many parts of our health system (including GP visits, dental, and prescriptions) still involving some element of user-pays,

¹ See <https://epod.cid.harvard.edu/article/dispelling-myth-welfare-dependency>.



lifting income support will ensure people are able to access primary healthcare, improving the health and wellbeing of everyone.

Q: Don't these changes take time, including to build social support?

A: It's been almost three years since the Welfare Expert Advisory Group report. Implementation may take time, but the need is urgent and the Government can and should announce changes now. There is clear evidence of public backing for increased income support.



Fairer Future groups supporting this release

ActionStation
Anglican Action
Aratiatia Community Marae
Auckland Action Against Poverty
Auckland Women's Centre
Barnardos
Beneficiary Advisory Services Christchurch
Birthright New Zealand
Child Poverty Action Group
Citizens Advice Bureau
Community Housing Aotearoa
Disabled Persons Assembly
FIRST Union
Gender Justice Collective
Generation Zero
Go Eco
Heretaunga Women's Centre
Kore Hiakai Zero Hunger Collective
Lifewise
Manaaki Rangatahi
Mental Health Foundation
Methodist Alliance
Monte Cecilia Housing Trust
New Zealand Council of Christian Social Services
Ngā Tāngata Microfinance
NZ Disability Advisory Trust
NZEI Te Riu Roa
Poverty Action Waikato
Raise the Bar
Save the Children
Social Service Providers Aotearoa
Te Rau Ora
Tick for Kids
Unite Union Aotearoa
United Community Action Network
We Are Beneficiaries
Whānau Āwhina Plunket
YWCA Auckland

