FAMILIES IN CRISIS | **The shameful truth about poverty in NZ** – *by Rebecca Macfie*

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Three years after a landmark report on the broken welfare system, poverty remains a serious problem. Is anyone listening?

by REBECCA MACFIE • illustration by Anthony Ellison

In April this year, Emeritus Professor Innes Asher wrote to the Minister of Social Development, Carmel Sepuloni. There was nothing unusual about that; she has corresponded with politicians for years.

Ever since she made the link between political decisions made in 1991 and the epidemic of disease she was seeing as a paediatrician and respiratory specialist at Starship Children's Hospital – small children with pneumonia that advanced into lung-scarring bronchiectasis and rheumatic fever that too often triggered lifelong heart disease and serious skin infections – she has been trying to make politicians listen.

> **"The system diminishes trust, causes anger and resentment, and contributes to toxic levels of stress."**

The deep cuts to welfare benefits in 1991 – reductions of up to 27% – had created a Petri dish for the infectious diseases she was now treating in unheard-of numbers.

Without enough money to get by, families were crowding together to save on rent; without enough money for good food, children weren't getting the nutrition vital to a healthy immune system; without money for heating, their houses were cold and damp and the resulting mould harmed their respiratory systems; without money for doctors' visits for minor illnesses, the minor became major; because children were too often sick, cold and undernourished, they didn't learn as well; without enough for the necessities of life, these households were stricken with acute stress.

Decades passed, and the conditions established in 1991 worsened (see first graph on page 26). When extra relief was provided to families on low and modest incomes, governments of both stripes excluded from the full package children in households receiving benefits. Punishments were designed into the welfare system so that even families raising kids risked losing half their incomes for breaching this or that rule.

Asher kept talking and writing about the damaged lives of the children she was seeing, alongside her colleagues at the Child Poverty Action Group, the research and advocacy group she joined in 1998. Recently, some things changed for the better, but not enough. She remained determined.

But when she mailed Sepuloni on April 22, it was about an issue that exemplified the demeaning, broken state that New Zealand's 74-year-old safety net had fallen into.

"It is hard to believe I am having to write to you about toilets," Asher wrote.

Two-thirds of Work and Income offices didn't have them. Indeed, she had experienced the lack on a personal visit, when she had to go outside to a public toilet and was put to the back of the queue when she returned. How was someone with a small child or a person with a health condition that caused incontinence supposed to deal with this? What about the humiliation for someone already under stress if there was an "accident" as a result?

Toilets, she wrote, were "an essential part of ensuring that all clients are treated with respect and dignity".

POVERTY TRAPS

But as Sepuloni, her government and New Zealanders know, dignity and respect have been stripped from the welfare system – as told in compelling detail by the Welfare Expert Advisory Group (WEAG) on which Asher served. It reported to Sepuloni in February 2019.

"Urgent and fundamental change is needed," the group concluded. "The system diminishes trust, causes anger and resentment, and contributes to toxic levels of stress." It was riddled with poverty traps and unmanageable complexity. For people on benefits and in low-paid work, incomes were far less than required to cover basic living costs, let alone have a modicum of participation in society. Few were properly case-managed into suitable jobs; the system instead was churning people off benefits and into precarious work, then back on to miserable benefits.

The 11 members of the group had gone on the road and listened to 3000 people: those on benefits, community workers and Ministry of Social Development (MSD) staff. In crowded meeting rooms, mothers stood and told them how they didn't eat so that their children could. They heard from a woman who worked as a prostitute to top up her benefit and kept it secret, because if she worked in the formal economy, the clawbacks on her extra income would leave the family no better off. They heard from people forced into dangerous financial dependence by outdated relationship rules, and from people with disabilities forced to separate from partners to get by financially.

The group modelled household budgets to find out what it cost to live a prudent lifestyle (no alcohol or cigarettes) in decent housing, with good nutrition, adequate warmth, healthcare and transport. That cost turned out to be 12-47% more than current benefits. Urgent and immediate increases were needed to fix that deficit, costed at $5.2 billion.

GETTY IMAGES

Social Development Minister Carmel Sepuloni: her government has delivered the biggest increase in benefits in decades.

It was an eye-watering figure, but it also revealed "how much our community has withheld from these people", says economist and WEAG member Ganesh Nana (now chair of the Productivity Commission).

> **"They haven't changed policy to adequately lift the incomes of families in the deepest poverty – about 150,000 children."**

The group's overwhelming conclusion was that too many people were living desperate lives and that welfare was in crisis. "I wasn't proud as a New Zealander to see some of that," recalls Phil O'Reilly, a former chief executive of Business New Zealand and WEAG member. It was clear to him that the system was "dehumanising", he says. "It was obvious you couldn't live on the benefits."

Nine weeks after handing in its report, the group was brought together in a West Auckland venue for its public release. Members had bonded well during their investigation and were unanimous in their 216-page report. The government had given them broad terms of reference, and they had delivered a sober account that "should have rattled the foundations of society", as economist and Child Poverty Action Group member Susan St John later put it.

In a side room before the event, Sepuloni briefed them on what the government planned to do. Just three of the group's 42 main and 120 detailed recommendations would be acted upon immediately: abatement levels would rise in line with increases in the minimum wage, allowing a person on a benefit to keep a few more dollars of what they earned from a job; the financial punishment of women who wouldn't name a child's father would end (something Labour had already promised before the election); and 263 more frontline MSD staff would be hired.

Shock, sadness and deflation ran through the group. "We just looked at each other and all but cried," recalls veteran unionist Robert Reid.

Kay Brereton, a beneficiary rights worker and another member of the group, had the longest return journey that night. She flew to Nelson and drove home to Murchison in a state of anger, and some cynicism. The group's recommendations had led the 6pm TV news, but there was a happier event to distract the nation's attention – Jacinda Ardern's engagement to Clarke Gayford had been revealed that day.

Kay Brereton in 2012: people are still struggling without enough for food, rent and power.

STUFF

A detailed stocktake by the Child Poverty Action Group late last year concluded that none of the WEAG's 42 main recommendations had been implemented in full. Yes, says Asher, the government "has done quite a number of things. But they haven't gone nearly far enough. They haven't changed policy to adequately lift up the incomes of families in the deepest poverty, which includes about 150,000 children – their numbers are static."

In the meantime, Covid has triggered the highest inflation in 32 years, and the long-running housing crisis has been inflamed by cheap pandemic credit into a full-blown catastrophe.

"I think we would write a different report if we were doing it now," says Brereton, who works daily with people struggling without enough for food, rent and power, pushed into homelessness by sanctions, and stressed by the arcane complexity of the benefit system. "The hardship we were seeing then is nothing compared with the hardship we are seeing now."

Detailed analysis by Fairer Futures, a coalition of welfare groups, backs that up. It took the household budgets developed by the WEAG in 2018 and updated them to June 2022, adjusted for 12.6% inflation (based on StatsNZ's beneficiary household living cost price index). It found that nine out of the 13 beneficiary household compositions were thousands of dollars short every year of what was needed to meet living costs. For families with children in private rentals, the annual deficit was up to $16,000 a year; for single people the shortfall was up to $7600. For single people with long-term disabilities living in public housing, the deficit was $3365.

DRIBS AND DRABS

Brereton fears the group's report will be just another doorstop, like the reports of so many government inquiry groups before it. Changes have come in dribs and drabs – some of them substantial, but nowhere near enough, according to some former members of the group and welfare agencies.

Three years on, main benefits (Jobseeker, Supported Living Payment and Sole Parent Support) are at the nominal levels recommended by the WEAG based on 2018 living costs. The amount that a person on a benefit can earn before their income is clawed back was lifted in 2021 in line with the group's two-year-old numbers. Some punitive sanctions have been lifted – including the "subsequent child" policy requiring single parents to go out to work when their youngest turned one – but several remain. Child support will now be passed on to single-parent beneficiaries, a decade after it was first recommended. Main benefits have been indexed to wage increases.

And there were welfare boosts before the group was formed: the 2018 Families Package brought in the Best Start payment for new babies, the winter energy payment for those on benefits and superannuation, and increased the family tax credit for those on Working for Families.

There has also been spin and obfuscation. For instance, much was made of this year's increase in the family tax credit, which it was claimed would deliver $13-$15 more a week per child. In fact, the "real" increase was only $5; the rest was an inflation adjustment. And while the state gave a little more with one hand, it took away with the other through a steeper clawback on earnings above $42,700. St John condemned it as a "meaningless and demeaning gesture".

They delivered a sober account that "should have rattled the foundations of society".

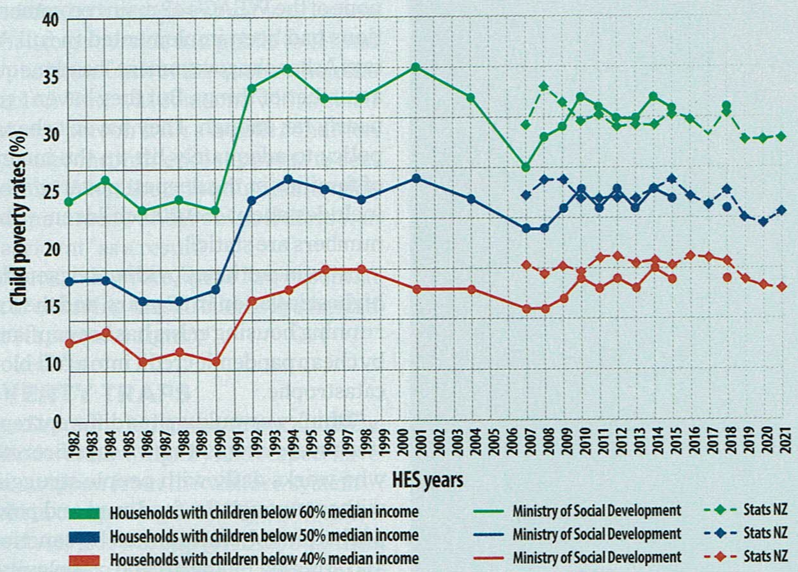
Instead of implementing the group's recommendations to ensure people made redundant get better protection through the welfare system, the government is pushing ahead at speed with a social income insurance scheme that critics say will privilege higher earners and do nothing for those on benefits (*Listener*, May 14).

And there's the $350 cost-of-living payment for people on low incomes, which excludes those who get the winter energy payment (people on benefits and super). As some have noted, even the UK's Conservative government included people on welfare in their cost-of-living assistance.

HUNGER CRISIS

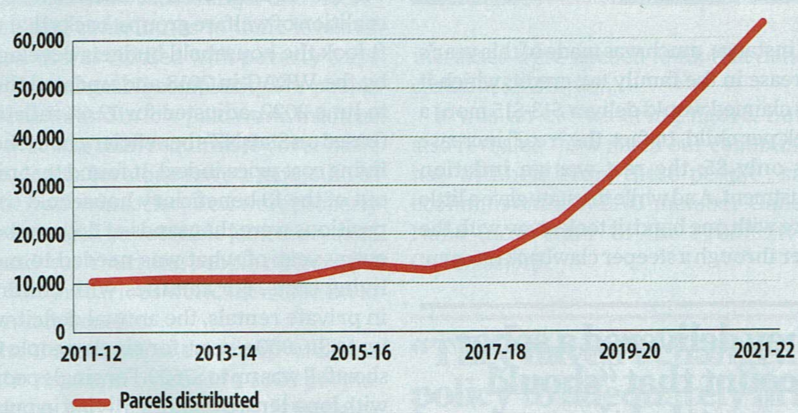
The stories just don't seem to line up. On one hand, the Minister for Child Poverty Reduction, Jacinda Ardern, says 66,500 children have been lifted out of poverty since 2017/18 (in households with less than 50% of median income after housing costs). On the other, the Auckland City Mission's food bank is facing unprecedented demand (see second graph on page 26). "We are in the grip of a food crisis, a hunger crisis," says missioner Helen Robinson. "[Families] pay the rent, power, water, fuel to get the kids to school, the medical bills. And then food. If people are coming to us for food, it's because they have genuinely run out of money. Overwhelmingly, the people coming to us are women raising children alone."

CHILD POVERTY ESTIMATES (1982-2021) USING HOUSEHOLD EQUIVALISED DISPOSABLE INCOME AFTER DEDUCTING HOUSING COSTS



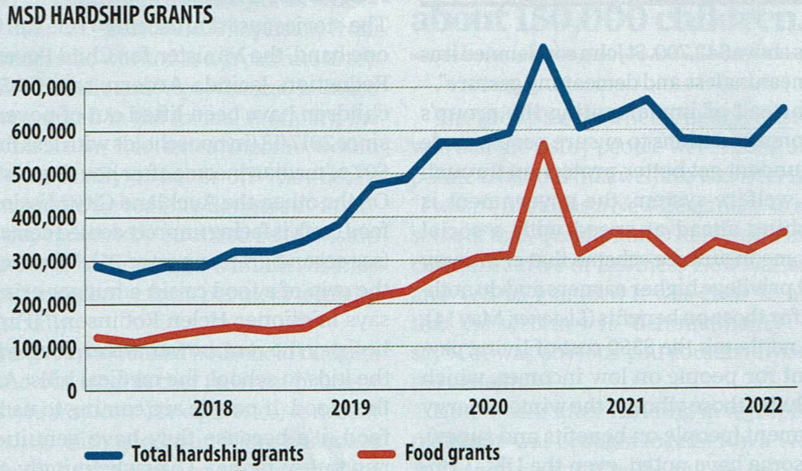
SOURCE: STATSNZ

FOOD PARCELS DISTRIBUTED BY THE AUCKLAND CITY MISSION



SOURCE: AUCKLAND CITY MISSION

MSD HARDSHIP GRANTS



SOURCE: MSD/SUPPLEMENTARY ASSISTANCE

On one hand, Sepuloni justifiably says her government has delivered the biggest increase in benefits in decades. On the other, the number of government food-relief grants has exploded by 300% on five years ago, and overall hardship grants by 224% (see bottom graph on this page).

More state houses are being built than for decades, yet the waiting list – now 27,234 people – keeps growing and the cost of the accommodation supplement and emergency housing grants keeps rising, hitting $2.3 billion this year. Furthermore, government progress on shared equity and progressive home-ownership schemes – recommended by the WEAG – that would allow poor families to build an asset base is "minuscule" against the immense need, says researcher Charles Waldegrave, who also served on the group.

> **"Over the past two or three years, things have got worse than ever."**

Sepuloni says on taking office in 2017, she instigated a "culture change" at the MSD to ensure clients are treated with respect and have their mana upheld. Yet, as Asher discovered, most offices lack a toilet for them.

The Child Poverty Action Group calls it a "disjuncture between political rhetoric and daily reality". KidsCan founder Julie Chapman just calls it "bewilderment". "They [the government] say they have done all these things, yet I have principals breaking down on the phone because they are so upset about what they are seeing for their families ... [The government] is saying they have lifted all these children out of poverty, but it just doesn't marry up with what we see on the ground."

Chapman founded the charity 18 years ago. These days, it supports 877 schools and 156 early childhood centres, feeding 44,000 children daily and providing coats, shoes and hygiene products – "things that most of us grew up taking for granted, but which are just out of reach for a significant number of families".

She has never seen such demand. "Over the past two or three years, things have got worse than they've ever been," she says. Nineteen schools and 107 early childhood centres are queuing for KidsCan support. "They are coming to us and saying there are desperate situations for their families." The day before she spoke to the *Listener*,

KidsCan founder Julie Chapman: the claimed reduction in poverty "doesn't marry with what we see on the ground".

KidsCan had heard from a principal who spoke of families at "breaking point – no water, no power, no petrol to bring the children to school".

Families on the breadline commonly spend 50-60% of their incomes on rent, Chapman says. Increasingly, she hears of teachers giving kids food to take home, because they know there's nothing in the house.

HIDDEN NUMBERS

In a busy industrial street in the south of the city, Christchurch Budget Service manager Dave Marra and adviser Fran* see the impact of a welfare system that has fallen into disrepair over the decades. For the people they work with, it's less a safety net than a fishing net that entangles people in hardship and stress.

A key WEAG recommendation was ensuring that people are getting their full and correct benefit entitlement. So far, Fran isn't seeing much sign of that: "If you don't know what to ask for, you don't get it."

As for New Zealand's record low 3.2% unemployment, Marra simply doesn't believe it. His service sees huge "hidden unemployment" caused by the complex system of benefits and add-on payments, and the clawbacks and costs when someone on a benefit tries to work.

The government has delivered a long-overdue increase in abatement levels before additional earnings are clawed back, but a person on Jobseeker moving into work still loses 70 cents in every dollar earned over $160 a week. That's about 7.5 hours on the minimum wage – not enough for someone who has been out of work for some time to rebuild skills and confidence.

For someone receiving sole-parent support or a supported-living payment (because of long-term disability), they lose 30 cents in every dollar over $160, and 70 cents over $250 (less than a day and a half's work at the minimum wage). The accommodation supplement, temporary assistance and debt repayments (566,600 low-income people owe money to the state) are also affected by the extra income.

"It's not politically palatable to a large proportion of voters for benefits to be increased significantly. That's why it's drip fed."

Then there are the costs of work, including transport, tools and after-school care for the kids. Marra worked with one single parent who was brokered by Work and Income into a care and support job – a sector where the hours of work are routinely spread across the whole day, with no pay for downtime. She ended up worse off than on a benefit.

The growth in precarious work amplifies the problem: workers who move from benefits into labour hire, for instance, can be dropped with no notice. And because casual workers have holiday pay loaded into their wage, they are tipped over the clawback threshold sooner than if they were in permanent work.

Marra says people are seldom helped by frontline staff to untangle whether taking on a part-time job will leave them better or worse off.

THE FAILING BRIDGE

The WEAG found that employment brokers at Work and Income are geared to servicing employers' needs, rather than working with clients to find good-quality jobs that match their skills. Only 19% of clients (and declining) had the support of "employment-focused" case managers to help them into work. "There is just no investment in people," says Marra. "The bridge to work is completely failing."

Fran sees clients put through work-readiness obligations that are often futile and humiliating. "You have school-leavers, women whose relationships have ended, older men made redundant, people who have been injured and need to retrain – you will have all these disparate people together, often with good skills, given some demeaning, pointless, disrespectful talk about how to balance a budget and how to make a Vegemite sandwich for lunch. That is pointless, and it is happening still. If only we put resources into a plan for people."

Sepuloni tells the *Listener* she is "intimately" aware of the poverty that exists, and is "passionate" about reforming welfare. She speaks of the importance of "taking the public with us on the welfare overhaul journey – and we have". She says she's pleased the changes introduced so far have not provoked the "beneficiary bashing" of past years.

Julie Chapman thinks if attitudes had really shifted, the government would have been able to deliver far more of the group's recommendations. "There's so much judgment and stigma around people who are in hardship. It's not politically palatable to a large proportion of the voting population for benefits to be increased significantly. That's why it's drip fed."

Perhaps both women are putting their fingers on an ugly truth. The WEAG report was, at heart, a letter to New Zealanders about the poverty and desperation that are now baked into the economy and society. The question is, do we care? As one WEAG member observed about the slow pace of welfare reform since: "We have as much poverty as we are willing to tolerate. And, unfortunately, we are willing to tolerate quite a lot." ▮

* Advisers at the Christchurch Budget Service asked not to have their surnames used.