Social Security that Works for Families

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Abstract
There have been significant changes in employment and in family structure over the last half century. This article explores some of the social security changes required to develop a welfare system that is both responsive to and reflective of those broader changes and more effective in providing support that is timely, and effective in providing relief from poverty. A range of quite specific changes are proposed.

Keywords employment, family, social security, sole parents, benefit reform

The 1938 Social Security Act reflected and built what McClure (1998) has characterised as ‘a civilised community’. Inherent in the Act, reflecting the approach of the times, was the idea that wages should be sufficient to support ‘a man, his wife and their children’. It is important to note too that, coming at the end of the Depression, full employment (understood as ‘full male employment’) was a core pillar of the social security system. Employment was primarily full-time, often with a large degree of security and continuity. ‘Family’ consisted of a man, his (financially dependent) wife and their children, and family life was considered to be based on permanent heterosexual relationships. Statutory support for sole parents was not added until 1974, following the 1972 Royal Commission to Inquire into and Report on Social Security.

This very brief characterisation of legislation which celebrated its 80th anniversary last year highlights some key issues which are integral to the reshaping of our social security system. This article concentrates on two related issues which the Welfare Expert Advisory Group and subsequent policy and legislation will need to address if we are to create a social security system fit for families in the 21st century: the changed nature, experience and significance of contemporary work life, and the changed pattern of family life, with a particular focus on the changing nature of relationships. (While outside the scope of this article, significant increases in core benefits are also required if the social security system is to meet one of its primary objectives of reducing poverty: for a fuller discussion of this, see St John and So, 2018.) A contemporary social security system needs to work with these changes – changes which have been quite extensive in the last four decades –
while fulfilling its core purpose of ensuring that citizens are able to belong to and participate in the life of contemporary society, to paraphrase the approach of the 1972 commission.

Changing employment

A range of commentators have described the ways in which work has changed over recent decades (Callister, 2010; Maré, 2018; Carey, 2017). Among the changes that are significant here are the increasing proportion of part-time jobs, the precarious nature of many jobs, reflected in their short-term and temporary nature, the frequent changes in jobs which many employees face, the increasing use of multiple jobs (as distinct from a single job as the source of income), and the growing number of women in the labour market over the last half century.

Three features of those changes are of particular significance. First, for many workers employment is temporary or short-term, with regular changes of employer and/or industry. Many workers find themselves with multiple jobs in order to earn sufficient income – a pattern often referred to as the ‘gig economy’. The New Zealand Council of Trade Unions, for example, reports that around one third of New Zealanders are in insecure work (New Zealand Council of Trade Unions, 2013). This work is often low paid, and Cochrane et al. (2018) note that the low paid are more likely to move between work and benefit receipt and to have multiple jobs. The significance of this for social security is reflected in Carey’s observation that disabled people and sole parents are likely to be at a significant disadvantage in a changing labour market (Carey, 2017).

The current labour market is, then, marked by frequent job changes, significant part-time work, fixed-term contracts, common experiences of redundancy and/or unemployment, underemployment, and periods of time in and out of the labour market – features often encompassed by the term ‘precarious work’.

The second feature with particular implications for social security is reflected in Figure 1, which shows the changes in households with two incomes from work: these are often referred to as ‘work rich’ households, in contrast to households where there is one or no adult in paid work. As Perry notes:

The most common arrangement in HES 2016 was for both parents to be working full-time (45%), with another 22% with one adult working full-time and the other part-time. In contrast, in 1982 the dominant pattern (52%) was one adult in full-time work and the other ‘workless’ (WL), with only 20% having both adults in full-time work.’ (Perry, 2017, p.147)

However, being in employment does not guarantee an adequate family income. With the precarious nature of the labour market and the low wages experienced by many workers, there is significant poverty experienced by those in paid work. 45% of children living below a 50% after housing costs income poverty line are in households where the main source of income is paid work (Perry, 2018, p.63). Furthermore, and not surprisingly, those households without an adult in paid work are significantly over-represented among households with children living below the poverty line, irrespective of how that line is calculated (ibid., p.40).

Third, there is significantly more movement now between work and benefit as the major source of income than at the time of both the Social Security Act 1938 and the 1972 Royal Commission. Changes to social security regulations, legislation and policy introduced under the fifth National government prioritised moving beneficiaries into paid work, but the limited available evidence indicates that many of those subject to this approach returned comparatively quickly to a benefit: there was significant churn. For example, the Ministry of Social Development found that 45.7% of the 133,000 who moved off a benefit in 2013–14 returned to a benefit within 18 months (Ministry of Social Development, 2018a). Treasury reported in 2015 that ‘[i]n any given month, 70 percent of people who sign up for a benefit have been on a benefit before’ (Treasury, 2015). What does this mean for how we might develop social security law, policy and regulations?

These necessarily very briefly discussed changes have two important implications for the development of the social security system: the intersection between work and social security as income sources, and financial support for those in paid work. There are a series of critical issues in relation to credits for families and the intersections between those credits and social security benefit law and policy. As Perry notes, irrespective of the definitional and measurement issues, the issue of the ‘working poor’ is evident – this is an OECD-wide issue and all countries now use tax

Figure 1: Increasing proportion of two-earner, two-parent households (with dependent children)

Source: Perry, 2017, p.147
In sum, given the precarious nature of current work experiences, a more flexible linkage between benefit income and earned income would reflect the changed nature of employment, creating a better integration between the two.
of income is paid work. Partly reflecting that development, one of the major social security developments of the last 30 years has been the growth of tax credit programmes providing support for those in paid work (as well as for beneficiaries). In the current employment environment, the simple distinction between being in work and being reliant on social security support that has been the hallmark of much of the thinking and decision making about social security is completely inappropriate. This is clearly demonstrated by the numbers in work receiving some assistance through Working for Families and/or the accommodation supplement. For example, Ministry of Social Development data shows that of the 292,006 receiving the accommodation supplement in September 2018, 57,587 (19.7%) were not receiving a benefit.

The current tax credit system is incredibly complex. The interrelationship between these credits and their impact on family and child poverty is considerably more complicated than can be reviewed here; nor is a detailed discussion of necessary changes to the structure and organisation of these credits possible. Many of the issues – and necessary changes – are more fully examined in Dale, O’Brien and St John (2014) and Child Poverty Action Group (2018). Some core changes are canvassed here.

The period between 2012 and 2016 saw a significant decline in the number of people assisted by Working for Families tax credits, as shown in Figure 2. The reasons for this are clearly set out by Inland Revenue:

The number of families claiming Working for Families tax credits increased from 380,300 in March 2006 to 421,200 in March 2011. As at March 2016 [the latest date for which there are official figures], it had decreased to 335,900 families – due in part to the amount at which the entitlement starts to decrease remaining static since 2012. (Inland Revenue, 2018)

(The Families Package which took effect in July 2018 made 26,000 more families eligible for Working for Families; the government estimated that 384,000 families would be better off as a result of the package overall (Treasury, 2017).)

Changes to Working for Families are a critical part of efforts to reduce child poverty. Working for Families provides significant support to families with children, both families in paid work and beneficiary families. Yet despite this support, child poverty levels remain excessively high, irrespective of the approach to and/or definition of child poverty used. From the most recently available data, the 2016 household incomes report identified that there were 290,000 children living in poverty, using the 60% of median, after housing costs moving income line (Perry, 2017).

There are four core changes which need to be made, reflecting both the changing nature of work and the need to provide better support for families and so reduce poverty. First, removing the discrimination against beneficiary families reflected in the work requirements of the in-work tax credit1 would make a substantial difference to families – $72.50 week. The cost of such a change has been estimated at $500 million (Child Poverty Action Group, 2017). It would reflect and support the more fluid approach to the interface between benefits and work as discussed above. It would also provide crucial support for those non-beneficiaries who, in a world of casualised and temporary work, do not meet the requirement for a given number of hours of paid work in order to qualify for the in-work tax credit for their children.

Second, the threshold needs to be further increased in order to maintain the real value of Working for Families. There were important changes to the Families Package in 2017, with the threshold being increased to $42,700, but the abatement rate was increased from 22.5% to 25%. Reducing the abatement rate to 22.5% or 20% and further increasing the threshold would make a significant difference for many low-income households. An increase in the threshold, to, say, $45,000 or $50,000, would mean that reductions in tax credits would not occur until these higher income levels were reached. Third, levels of support need to be increased annually and indexed, reflecting changes in living costs and living standards. Recent work by the Child Poverty Action Group (2018a) suggests that $700 million is needed to meet these and other related changes. This would both help to reduce child poverty and ensure that poorer households do not fall behind the rest of the community. (For further discussion of indexation, see Boston in this issue of Policy Quarterly.) Fourth, abatement rate changes are needed so that recipients are not penalised with high effective marginal tax rates for additional earnings (see Child Poverty Action Group, 2017). Indeed, the whole framework of abatements needs to be reviewed so that they are better integrated and less punitive in their effects. This review needs to extend to tax credits and the various benefit

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**Figure 2: Numbers receiving Working for Families**

Source: Inland Revenue, 2018

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supports and supplements, such as the accommodation supplement, childcare assistance and temporary additional support. While the costs of such changes are significant, this reflects the depth to which poverty has become established in New Zealand and what is required if we are to develop a social security system which has a significant impact on poverty.

Thus far, this section of the article has focused on paid work, the changes therein and their implications for social security. However, much of the discussion around work and social security has ignored the unpaid work of caring, in relation to both children and people with disabilities, work which is increasingly devalued as not being ‘real work’. It is no accident that most of this unpaid caring work is undertaken by women. Any meaningful changes in the social security system will need to challenge the current direction around caring and assert the need for adequate financial support for those providing care, so that they are not forced into poverty when they undertake this work.

Three simple changes will go a significant way towards that goal. First, benefit levels need to be increased: currently there is a significant gap between benefit rates and various poverty lines (on this see St John and So, 2018). Second, abolishing the current in-work tax credit discrimination against beneficiaries, as discussed above, would move the work of caring towards being put on a similar footing to paid work; and, equally significantly, would make an important contribution to reducing child poverty and to supporting disability carers. Third, caring at home for a person with a chronic disability needs to be recognised as work and appropriately remunerated. The process facing those providing that care needs to be simplified and made more humane so that those seeking assistance do not face the hurdles described by the Child Poverty Action Group and Action Station (2018) and Murray (2018).

In many areas of current social policy, the individual applicant or beneficiary has their entitlement decided without reference to their relationship status.

Changing families
Just as the connection between paid work and social security has changed substantially over the last 80 years, so too has the connection between family support and social security. As noted above, the assumption that a family (however defined) will be supported by the earnings of a male breadwinner is no longer sustainable; nor indeed is it the preferred arrangement in families. Sole parents (almost 90% of whom are women) and dependent children represent the largest single group receiving what is now called sole parent support. As noted above, other than for widows, support for this group was not a part of the 1938 Social Security Act, the statutory domestic purposes benefit only being introduced in 1974 (there had been a highly discretionary payment prior to that).

As of September 2018, there are 58,620 people receiving sole parent support; they are responsible for the care of 114,740 children. In addition, there are 58,872 children in other benefit-recipient households, such as those receiving job seeker support and supported living payments (Ministry of Social Development, 2018b). Changes in the last half century, such as the reduction in the number of adoptions, increased parental separations, public acceptance of sole parenthood, and increased numbers of women in the paid workforce all mean that the assumption of two-parent families supporting their children no longer holds. However, the social security system still operates implicitly in many respects on the assumption of female dependence and the two-parent family as the norm. This assumption is regularly articulated and reinforced by critical and judgemental media, and by public commentary and elements of public policy which treat sole parents as secondary citizens or, to use Lister’s expression, as ‘others’, as outsiders (Lister, 2004). In her recent report, Jess Berentson-Shaw draws attention to the process and effects of othering in the poverty debates in the New Zealand context (Berentson-Shaw, 2018).

One of the most persistent of these assumptions is around dependence in partnering relationships: in brief, that a woman receiving sole parent support† (or, indeed, any benefit) should not be financially supported by the state if there is any indication of a relationship. If she is in any form of relationship, it is assumed – and that assumption is legally supported – that she should be dependent on that (male) partner for financial support. This approach places a woman in a highly conflicted position. Her interest in developing a new relationship leaves her facing the possibility that she might be vulnerable to her social security support being subject to scrutiny, and indeed termination. The risks in establishing the new relationship – which in the long term might be positive for her and her children – are, then, tightly linked with the risks of losing sole parent support. Moreover, her partner may be open to prosecution if she receives a benefit while living in a ‘relationship in the nature of marriage’. This places an unreasonable burden on her. By contrast, the partners of those who avoid their obligations to pay tax are not subject to prosecution.

In many areas of current social policy, the individual applicant or beneficiary has their entitlement decided without reference to their relationship status. Tax assessment and liability, accident compensation payments and superannuation entitlement are all assessed on the basis of the individual applicant. With social security the position of the partner is taken into consideration in deciding eligibility for a benefit, the rate of payment of that benefit and the length of stand-down periods. Moving towards individual assessment of a beneficiary in her or his own right would put a beneficiary in a similar position to other citizens.
Equally importantly, it would reduce the need for the invidious intrusions that arise from the current legislation and investigations in relation to what constitutes a relationship ‘in the nature of marriage’. As St John et al. note in their extensive review of the operation of the current legislation:

a serious confusion about relationships in our system needs to be acknowledged. There are so many combinations and permutations of co-habitation, financial interdependence, emotional commitment, forward plans, and sexual/family patterns, it is no wonder that no one simple clear definition can be found’. (St John et al., 2014, p.37)

Also arising from this assumption of dependence is the requirement for a sole parent to name the father of her dependent children. This requirement is accompanied by quite strong sanctions by which the benefit can be suspended for a period of time. In the September 2018 quarter a total of 9,504 sanctions were issued, and 1,437 were in place at that date. Data is not available on the number of children affected by these sanctions; in response to a parliamentary question in November 2017, the minister for social development stated that 18,000 children were affected by the sanctions regime. The sanctions are both punitive and contribute significantly to greater poverty among families that are subject to them. The reasons for not meeting benefit requirements are many and varied and the sanctions regime fails to recognise this. An immediate change that could be made would be to remove sanctions related to the requirement to name the father of the child. Failure or refusal to name the father results from a mix of factors, including the need to protect children. It is both unnecessary and inappropriate in these circumstances to subject these families to increased poverty.

There is a third quite specific change which would make an important difference for children and families. Currently, child support payments are made directly to the state and offset against the costs of state support for families; none of the payment goes directly to a beneficiary family, unless the payment is higher than the amount of sole parent support (or other benefit), a comparatively rare occurrence. In some countries, a portion of the child support payment is transferred by the state to the carer. Introduction of a similar measure here would be an important change in the social security system. It would need to be accompanied by changes which meant that this was not simply offset against benefit payment eligibility. Without this adjustment, transfer of financial support would not result in financial improvement for the beneficiary family. Passing on at least a portion of the child support payment would mean that the person responsible for child support (usually the father) would have a stronger motivation to meet obligations because the monies would be supporting his children’s lives, circumstances and opportunities. (For a fuller discussion of issues surrounding child support and possible changes, see Boston and Chapple, 2012.)

Conclusion
In summary, the following changes to the social security system are recommended:

• significantly increase basic benefits;
• develop a tax-free area for beneficiaries and low-income earners and increase income taxes to reflect the impact of this development for middle- and higher-income earners;
• change stand-down requirements and allowable earnings in order to better reflect current employment and family structures;
• remove the in-work tax credit discrimination so that payment is not related to work status;
• move caring towards being remunerated on a comparable basis to paid work;
• remove benefit sanctions for failure to name the father of the child;
• move towards individual entitlement for benefits so that there is a closer consistency with what happens elsewhere in the social support structures;
• pass on child support to the parent with responsibility for care;
• lower the rate of abatement;
• index Working for Families annually to reflect wage and living cost changes; and
• increase the Working for Families threshold and adjust the threshold annually.

References


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Institute for Governance and Policy Studies

Sea Level Rise & New Zealand’s Future:
an IGPS public lecture

The Institute for Governance and Policy Studies hosts regular lunchtime and evening seminars on a wide range of public policy topics. Our speakers are experts, we welcome searching questions from our audiences, and all events are free.

How much land will we lose to the rising ocean, and what will it cost us? Local Government New Zealand has recently released its report, Vulnerable: The quantum of local government owned infrastructure exposed to sea level rise, which quantifies the replacement value of local government infrastructure exposed to sea level rise. The study details the type, the quantity and the replacement value of infrastructure exposed with different levels of rise severity, from half a meter to three metres. How bad could it get? More than $14 billion of local government owned assets are exposed at a 3.0 metre increment of sea level rise.

LGNZ’s report is intended to result in stakeholders working together to ensure the long-term resilience of critical infrastructure. At its core, this analysis is about turning a challenge into an opportunity. Study co-author Thomas Simonson will present these findings in detail at a lunch time lecture, and take questions from the audience.

When: Thursday April 18th 12:30pm – 1:30pm
Where: Rutherford House lecture theatre 2 (RHLT2), Pipitea campus
Register: email igps@vuw.ac.nz, with the subject line “RSVP for Sea Level Rise on April 18th”

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