

Welfare Reform: Removing Barriers to Employment

The government is evaluating the recommendations of the Welfare Working Group with a view to including welfare reform in its election manifesto. The group's report, launched just before Canterbury's February earthquake, has not yet had the attention it deserves. The 180-page report and its 43 recommendations take some digesting, but it's worth the effort.

Two strong themes run through the report: the alleviation of child poverty, and a focus on work.

The group was right to highlight child poverty and New Zealand's sorry record in this area. We have 220,000 children growing up in benefit-dependent households, and over half of all children are in benefit-reliant households at some time in their first seven years of life. Of 30 OECD countries, New Zealand ranks 29th for child health and safety, 21st for infant mortality and 26th for injury deaths among one to four year olds, along with shameful and deteriorating rates of child health problems such as pneumonia, whooping cough, rheumatic fever and measles immunisation coverage.

There are many recommendations for achieving better health and social outcomes for at-risk children of teen and other sole parents. They include better support for such parents, strong obligations to learn parenting and nurturing skills, earlier re-entry to the workforce, better access to childcare and strong signals to teens to defer parenting until they have completed their education, are established in a career and in an enduring relationship.

It isn't difficult to make the connection between benefit dependency, poverty and poor health. As Auckland GP Dr Jim McVeagh pointed out recently on his MacDoctor blog: *There is one particular intervention that has been demonstrated to improve children's health unequivocally. Parents*

that have jobs ... All the welfare in the world has not been shown to have the benefit of just one parent in a full-time job.

The report spells out the obvious, that for the able-bodied, work is not only the best route out of poverty, it's the norm: the means for individuals to support themselves and their dependents, and participate meaningfully in society.

For able-bodied beneficiaries (to be renamed jobseekers), the report recommends what is known in Sweden as "the loving push": front-loading rehabilitation and training services and intensive job-seeking support, then rapidly encouraging them into a job. Deliberately flunking an interview or declining a reasonable job offer are not options. Contracting out employment placement services, an approach used only in a limited way by WINZ, is another sound recommendation.

Various incentives to find work are proposed, such as relocation grants to help people move from low employment areas, 'workfare' for intractable cases, income management for those who repeatedly fail to provide for their children's necessities, and compulsory rehabilitation for those whose drug and alcohol dependencies prevent them from working. The report does, however, point out serious shortcomings in the country's mental health, disability and rehabilitation services.

Then there is the issue of removing the barriers that prevent some people from getting jobs. The report touches on the inadequacy of New Zealand's one-size-fits-all education system, which plainly leaves many school leavers unqualified and unprepared for the job market.

It also notes other barriers that stand between young people and jobs and the difficulty many have in getting a foothold on the jobs ladder. The youth unemployment rate (those aged 15 to 24) has risen sharply and now stands at 18.8 percent. While employment for those over 20 is improving, the rate for teenagers continues to fall, down by a further 11,400 in the last

quarter. Unemployment rates for Maori and Pacific Island youth were up to 28.8 percent and 28.1 percent respectively.

As illustrated in the graph and noted in an analysis of the New Zealand economy by London-based Independent Strategy, a high minimum wage (the second highest in the OECD relative to median wages) coupled with abolition of the youth minimum wage have combined to produce a “staggering” increase in youth unemployment.

It is pleasing that the government is looking at this problem. It shouldn't be swayed by the argument that if young people are doing the same job as older workers, they should be paid the same. If that is true, in a competitive market they *will* be paid the same (or another employer will bid them away). The minimum rate is a floor, not a ceiling.

Anyone who has employed teenagers will know how much additional time is generally required to train and supervise them, even those eager to work. Some may even need a ‘loving push’ to get started. But the more experience they gain in a job – almost any job – the better a young person's chances of moving to a better-paying, steady job in future.

Of all the issues addressed in the report, removing barriers to employment may well be the single most effective way of reducing benefit dependency.

Roger Kerr is the executive director of the New Zealand Business Roundtable. Check out his blog on www.nzbr.org.nz