National's family incomes support policy: A new paradigm shift or more of the same?

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Abstract

During its three terms in office, the National-led government (2008–2017) introduced a number of family income support policies which served to further embed the radical paradigm shift that had occurred under the National governments when in power from 1990 to 1999. This earlier comprehensive retrenchment programme by National transformed the welfare state from one based on the notion that the state would provide for people in need, to a residual welfare state in which people were supposed to seek support from the state only as a last resort. Family income policy was targeted to a narrower group of recipients, the conditions for benefit eligibility were tightened, benefit payments reduced and a discourse of welfare dependency that stigmatised benefit recipients was promoted. From 2008, this article argues National's measures were merely incremental adjustments to its previous policy direction and which served to further embed the paradigm shift it had introduced in the 1990s. The Labour-led government elected in 2017, despite suggesting it would make radical changes, has made little significant effort to reverse this policy direction. It would appear that National's social policy legacy from the 1990s has become so well-entrenched, that it is difficult for the Labour Party to challenge the targeted, stigmatising approach that characterises family incomes policy.

Keywords Family policy; National-led government; Labour-led government; Working for Families; Welfare reform; Residual welfare state

Introduction

The National-led government was in office in New Zealand for three terms, 2008–2017. This article examines whether family incomes policy changes during this period should be described as 'new and innovative'—even 'paradigmatic'—or whether 'incremental' is a more accurate description, with changes simply reflecting more of the same. The focus here is largely on family financial assistance, mostly excluding in-kind benefits or aspects of wider family policy covered elsewhere (see for example Lunt, O'Brien & Stephens, 2008).

Innovative policies are those which introduce new ideas, new models of policy delivery or new institutions and which result in the significant reorientation of policy goals and/or outcomes. Incremental change is that which occurs over an extended period of time and results in either significantly different policy delivery/outcomes in the long run or a further embedding of an existing policy trajectory. Paradigmatic change, the most significant change of all, results in fundamental change to the policy settings, policy programmes and goals that underpin policy (Béland & Waddan, 2012; Hall, 1993).

This article draws on previous analyses (Cotterell, St John, Dale & So, 2017; St John & So, 2018) and argues that, rather than introducing an innovative paradigm shift, National's family income policy choices between 2008 and 2017 demonstrated a continuity with its previous term in office, 1990–1999. Instead of transformation, the incremental changes introduced between 2008 and 2017 further cemented in the paradigm shift National had put in place during its previous administration. During this earlier period, National introduced a series of radical reforms in the area of family incomes policy which targeted support to a narrow group of recipients, tightened the conditions for benefit eligibility, reduced the level of benefit payments and introduced a discourse of welfare dependency that stigmatised benefit recipients. The 1970s consensus that the welfare state was about 'participation and belonging' and 'community responsibility' was replaced by values of 'welfare only for the poor' and 'self-responsibility'. This radical shift to a residual welfare state in New Zealand was part of the wider paradigmatic shift in government policy in which the post-war, mixed-state Keynesian egalitarianism was replaced by neoliberalism in which belief in free markets, small state and low taxes dominated (Boston & Dalziel, 1992; Boston, Dalziel & St John, 1999).

This article outlines how the National-led government's ability to further embed the paradigm shift of the 1990s during its term in office 2008–2017 was made easier by the policy choices of the Labour-led government (1999-2008), such as prioritising paid work for most benefit recipients, failing to restore benefit levels and continuing the tighter targeting of financial support

to families. These directions 'paved the way' for National (Wilson, Spies-Butcher & St John, 2013), just as Labour policies in the late 1980s, under Roger Douglas, paved the way for the paradigm shift taken by National in the 1990s (McClelland & St John, 2006).

The article is structured as follows: First, a brief history of family policy since 1990 contextualises the measures introduced by National during its three terms in office from 2008–2017. Second, family policy reforms and measures introduced by National between 2008 and 2017 are discussed to provide evidence of the incremental changes used to continue the shift to a residual welfare state. The conclusion speculates whether National's policy legacy is likely to endure. In 2017, a Labour/NZ First coalition government was elected with a confidence and supply agreement between Labour and the Green parties. The pre-election rhetoric suggested 'transformative change' in social policy with a key focus on child wellbeing. The article suggests that while the incremental policies of the first two years of the new government are helpful, they will not significantly challenge the policy paradigm established in the 1990s.

Setting the scene: Family policy 1990-2008

At its broadest, family policy refers to "everything that government does to and for the family" (Kamerman & Kahn, 1997, p.3). A middle range definition along the lines suggested by Eydal and Rostgaard (2018, pp.2-3) focuses on:

> … the cash and service benefits for dependent children as well as for their parents … This includes policies of direct and indirect financial support (fiscal and cash benefits), support in the combination of work and family life (e.g., leave schemes) as well as policies that support children in their development (childcare) or support parents in the raising of their children (guidance and interventions).

Here the focus is largely on the cash benefits provided to parents to provide for their children. In New Zealand, these are social welfare benefits such as Sole Parent Support (SPS), family tax credits under Working for Families (WFF) and Paid Parental Leave (PPL). Changes in policy for other forms of support that impact on families, such as changes in childcare subsidies, child support, health, education and housing assistance, are excluded due to lack of space. To understand the legacy of the National-led government after 2008,

the following section examines the context of the previous two nine-year terms of office by National- and Labour-led governments respectively.

National-led governments: 1990–1999

In December 1990, the newly elected National government announced details of significant reforms to health, education, housing, accident compensation and the labour market, along with radical changes to social security (Bolger, Richardson & Birch, 1990). These reforms and those announced in the 1991 budget included draconian cuts of up to 25% to benefit payments to many beneficiaries; market-related rents for state housing; increased age of eligibility for the Domestic Purposes Benefit, from 16 to 18; and the incorporation of the universal Family Benefit payment into Family Support payments, so that all family assistance became targeted to low-income families. The guiding principle behind many of National's welfare reforms was to increase the targeting of benefits and services so that they were available only to those most in need (Shipley, 1991). The idea was to incentivise self-responsibility and reduce 'welfare dependence' by creating a gap between benefits and low-paid work. The ideology behind these reforms reflected the rise of conservative and New Right thinking (Cheyne, O'Brien & Belgrave, 2000).

Other reforms set out in the 1991 budget documents included wholesale deregulation of the labour market through the introduction of the Employment Contracts Act, extending user-pays policy in the health sector, making the Accident Compensation Corporation (ACC) more like private insurance and further privatisation of public assets. National were seen as completing the neoliberal policy reform agenda begun by the Labour government in the mid-1980s. Nevertheless, it did not succeed in the major reforms to the state pension that would have changed National Superannuation (now called New Zealand Superannuation) into an income-tested welfare benefit for the poor. The older population was outraged and managed to lobby the government to back down and reverse these changes (St John, 1992, 1999).

Families and beneficiaries were not so fortunate. In the early 1990s, the harsh welfare policies implemented in the emerging recession saw child

poverty soar. By the mid-1990s, the unindexed weekly family assistance payments had fallen well behind in real terms and there were many correlated indicators of family distress such as a rapid rise in the incidence of 'Third World' diseases (Dale, O'Brien & St John, 2014; St John, Dale, O'Brien, Blaiklock & Milne, 2001).

Possibly in response to rising hardship from years of neglect, in 1996 the National-led government introduced a package of tax cuts and an increase to family assistance (Birch, 1996). The weekly per child targeted Family Support payment (now called the Family Tax Credit) was raised by $5 a week per child. This minimal change did not even compensate for inflation, but 'deserving' low-income working families deemed 'independent from the state', received a further $15 per child per week in the form of a new tax credit called the Independent Family Tax Credit (Cotterell et al., 2017).

The Independent Family Tax Credit for low-income working families (later renamed the Child Tax Credit and then the In-Work Tax Credit) aimed to increase the incentives for beneficiaries to be independent from the state by further intensifying the gap between being on a benefit and being in low-paid work. While the purpose of child-related payments is principally the relief or prevention of child poverty, now there was also a work-incentive goal. In effect, this introduced discrimination between those children in families on benefits and others on low incomes (Cotterell et al., 2017).

The tax cuts were aimed at those in the middle-income bracket, thus benefiting those in low-paid work while those on benefits gained no advantage as their benefits are set in after-tax terms. While the package eliminated the 30% abatement for earning from $50 to $80 per week, the harsh abatement of 70% after the disregard of only $80 remained where it was set in 1986. The intent was to increase the incentives for beneficiaries to move into full-time paid work and leave the benefit system (Cotterell et al., 2017).

Further family policy reforms announced in the 1998 budget reduced the level of payment for new Sickness Benefit recipients and required Domestic Purposes Benefit (DPB) recipients with a youngest child aged between six and 13 years to seek part-time work. Indeed, a significant feature of National's welfare reforms in the mid-to-late 1990s was the introduction of

the term 'welfare dependency' into the discussion on welfare provision. The term was "used in a very pejorative sense to describe almost all aspects of benefit receipt and beneficiary behaviour" (O'Brien, 2008, p.180).

By 1999, it was clear that there had been a major paradigm shift from the post-war ideals of 'belonging and participating' as expressed in the Royal Commission Report on Social Security (1972). National's comprehensive retrenchment programme had transformed the welfare state from one based on the notion that the state would provide for people in need, to a residual welfare state—one in which people were supposed to seek support from the state only as a last resort. This paradigmatic shift became firmly embedded in the bureaucracy, the institutions and political and public thinking. The architects of the 1990s changes went after 'hearts and minds' and largely succeeded in that aim (O'Brien, 2008). An assessment of the welfare reforms of the 1990s concluded that: "Upon coming into office, the decisively anti-welfare National government introduced the most comprehensive retrenchment programme an OECD country has ever seen" (Starke, 2007, p.187).

Labour-led governments 1999–2008

A Labour-led coalition defeated National in the 1999 general election and signalled its welfare policy intentions in a paper titled *Pathways to opportunity: From social welfare to social development* released in June 2001 (Ministry of Social Development [MSD], 2001). The paper contained proposals for an active approach to welfare provision that emphasised the use of positive incentives to assist people to find work rather than the use of the punitive measures of the previous National-led government.

Labour mitigated National's market-rents policy by returning to income-related rents for state or social housing and there were a further number of family-related policy initiatives including: raising minimum wages regularly, increasing support for childcare costs and expanding PPL. However, its primary initiative in the area of family policy was the announcement of the WFF package in 2004 to be implemented during the period 2005–2007.

As signalled by the name, WFF emphasised a paid-work focus. Despite Labour's promise in the 1996 election to remove the discrimination of the

Child Tax Credit, WFF intensified the discrimination in order to further promote incentives to work (St John & Craig, 2004). Launching the initiative, the Minister of Social Development, Steve Maharey (2004, n.p), noted that the introduction of the package would alter New Zealand's system of social support "from passive welfare entitlements to active support to move into employment."

St John and Wynd (2007, p.52) outline the confusing name changes that were made to the various family-based tax credits in 2007. For clarity, the terms referred to here, are the ones that currently apply in 2019. The main policy measures that made up the WFF package implemented 2005-2007 were:

- An increase in Family Tax Credit (FTC) rates;
- The introduction of the In-Work-Tax Credit that was more generous than the Child Tax Credit it replaced;
- An increase in the threshold of income to $35,000 before abatement of WFF tax credits at 20%;
- Increases to the Accommodation Supplement;
- Increased assistance for childcare costs for pre-school children (Childcare Subsidy) and the Out of School Care and Recreation (OSCAR) Subsidy for school-age children; and
- New measures to simplify the delivery of family assistance (Cotterell et al., 2017).

For low-income working families, a particularly important part of the package was the In-Work Tax Credit (IWTC) worth $60 per week per family of up to three children and an extra $15 per child above that number. The IWTC was abated after the FTC and so was received by families well up the income scale. The IWTC replaced Child Tax Credit (CTC), which Labour had fiercely opposed when introduced by National in 1996. Yet, Labour changed the CTC into the more generous IWTC, making even more tightly focused on the 'deserving poor' than the CTC. It required not only that families not be supported by a benefit but also that parents must be in paid work for a minimum number of hours: 20 hours per week for a sole parent and 30 hours a week for a couple. The rationale was that an incentive was required to get

beneficiary parents completely off the benefit into paid work, reflecting Labour's pro-work focus, thus continuing and intensifying the discriminatory policy of the previous National government (Cotterell et al., 2017).[1]

While WFF reduced child poverty for working families, it failed the poorest children as it denied them a critical payment to alleviate their poverty. An MSD (2007) paper raised the alarm by drawing attention to the hard core of untouched 'pockets of hardship'. Since 2006, when the IWTC was introduced, a cumulative sum of $7–10 billion has been effectively denied to the worst-off children. MSD, in its annual reports on household incomes, has repeatedly drawn attention to the lack of effectiveness of WFF for this group, for example: "WFF had little impact on the poverty rates for children in workless households" (Perry, 2019, p.175). On the other hand, Perry (2019, p.168) attributes the large fall in child poverty rates from 2004 to 2007 for children in one-FT-one-workless 2P households (28% to 9% using the 50% CV-07 measure) to "the WFF impact, especially through the In-Work Tax Credit."

Once again, privileging those in paid work, the Labour-led government also significantly expanded PPL to 12 weeks paid leave for parents who had been in paid employment with a single employer for at least 10 hours per week for a full year before the birth. Amendments to the bill extended it to 13 weeks, then to 14 weeks in December 2005; in July 2006 it was extended to include self-employed mothers. Only around one-half of new-borns were covered by PPL even though it was a policy funded by taxpayers. Some who did not qualify for PPL but satisfied work criteria were given a small Parental Tax Credit as part of their WFF; others on benefits got nothing extra for their new-borns.

Tellingly, in 2007, Labour introduced a new statement of purpose and principles into the Social Security Act 1964 (see Box 1). The intent was not

[1] The discrimination was challenged in the courts between 2002 and 2012. There were 10 separate hearings in the case and in the processes the proceedings have made an indelible mark on New Zealand Human Rights Law. There were two hearings in the Human Rights Review Tribunal, six in the High Court and two in the Court of Appeal. For a summary of the case see Child Poverty Action Group (CPAG, 2015).

only to put a new emphasis on paid work as the tool of social inclusion but also to further embed the idea that an individual should use resources available to them first, before seeking help from the state. Ironically, this supported the ideology and policy direction of the previous National government.

Box 1. Social Security Act Amendment 2007

1A Purpose

The purpose of this Act is—

(a) to enable the provision of financial and other support as appropriate—

(i) to help people to support themselves and their dependents while not in paid employment; and

(ii) to help people to find or retain paid employment; and

(iii) to help people for whom work may not currently be appropriate because of sickness, injury, disability, or caring responsibilities, to support themselves and their dependents.

(b) to enable in certain circumstances the provision of financial support to people to help alleviate hardship:

(c) to ensure that the financial support referred to in paragraphs (a) and (b) is provided to people taking into account—

(iv) that where appropriate they should use the resources available to them before seeking financial support under this Act; and

(v) any financial support that they are eligible for or already receive, otherwise than under this Act, from publicly funded sources:

(b) to impose administrative and, where appropriate, work-related requirements on people seeking or receiving financial support under this Act.

1B Principles

(a) work in paid employment offers the best opportunity for people to achieve social and economic wellbeing;

(b) the priority for people of working age should be to find and retain work;

(c) people for whom work may not currently be an appropriate outcome should be assisted to plan for work in the future and develop employment-focused skills; and

(d)people for whom work is not appropriate should be supported in accordance with this Act.

Source: Social Security Act Amendment 2007 (s.1A & 1B).

In summary, during Labour's time in office, family incomes policy was characterised by its emphasis on providing support for low-paid workers through the WFF package and support for childcare. Work-related policies such as PPL and use of work-based tax credits for children were expanded. While WFF did reduce poverty rates for children in working families, its highly targeted and discriminatory design failed the very worst-off children.

Despite talking about the low level of benefit rates prior to its election, the Labour-led governments made no attempt to adjust benefit payments to compensate for the 1991 cuts while office. As it was for National in the 1990s, Labour's policy reflected the view that low benefits would encourage beneficiaries to seek work. Thus subsistence-level benefits persisted even though many beneficiaries were already working raising children or unwell and unable to work. The amendment to the Social Security Act's purposes and principles in 2007 served to re-emphasise the primacy of paid work and pave the way for the incoming National government to interpret the law even more narrowly.

National-led government 2008–2017: Further embedding the neoliberal paradigm

Prior to the 2008 election, National Party leader, John Key (2008, n.p), gave a speech spelling out National's proposed welfare reform agenda, noting that "National is going to have an unrelenting focus on work." National believed that participation in paid work provided people with the best way to achieve wellbeing and was the best way to reduce child poverty.

Key (2008) also announced a series of measures that National planned to introduce that would tighten conditions of eligibility for receipt of a benefit. For example, people on a benefit for more than 12 months would be required to re-apply for their benefit and undergo a comprehensive work assessment. Reforms were promised to the Sickness Benefit (SB) and DPB for sole parents. These included obligations to work part-time for at least 15 hours a week, and job-seeking activities for DPB recipients, once their youngest dependent child was aged six or over, and to SB and Invalid's Benefit recipients who had been assessed as being able to work part time. Key (2008) also proposed the introduction of a graduated set of sanctions and some changes to encourage

work by increasing the income threshold for benefit abatement for some. These proposed measures demonstrated National's intent to further embed the policy direction adopted in the 1990s; that is, benefit eligibility criteria were tightened, work readiness requirements intensified and paid work prioritised.

The first wave of reforms, labelled 'Future Focus', were announced in March 2010 and these contained most of the measures signalled by Key (2008). Along with these reforms, a new range of sanctions were introduced, ranging from:

> … a 25% reduction in benefit to a full cancellation for 13 weeks. 'Strike one' sanctions would mean a decrease of 25% or 50% in the benefit payment. 'Strike two' sanctions received in the same year would see a benefit suspended for a maximum of 13 weeks. 'Strike three' sanctions would result in benefit cancellation. There was also a 'grade four' offence—refusal to take a job, which carried an automatic penalty of the benefit being suspended for 13 weeks (Cotterell et al., 2017, p.10).

The Welfare Working Group (WWG) was established by National in April 2010 and tasked with undertaking an expansive and fundamental review of New Zealand's welfare system. With benefit rates and benefit adequacy specifically excluded, the WWG's primary task was to identify how to reduce long-term welfare dependency. Its focus was on three 'problem' groups: sole parents, sickness and invalid beneficiaries and youth. The WWG's (2010) mandate was to examine:

- Ways to reduce benefit dependence and get better work outcomes;
- How welfare should be funded, and whether there are things that could be learned from the insurance industry and ACC in terms of managing the government's forward liability;
- How to promote opportunities and independence for disabled people and people with ill health;
- Whether the structure of the benefit system and hardship assistance in particular was contributing to long-term benefit dependency (Bennett, 2010).

The WWG (2011) recommended, amongst other things, that the government adopt a 'social investment' approach in which the welfare system

invests early, in order to reduce the long-term social, economic and fiscal costs of welfare dependency, and adopts an actuarial approach to measuring the forward liability (see the Moore and O'Brien articles in this issue). These recommendations were adopted and underpinned National's social policy agenda. The danger was that the focus would shift even further from meeting the needs of people, to reducing the costs that were seemingly scientifically measurable by the actuarial approach.

More conditionality for benefits

Further changes announced in 2011 impacted on those receiving benefits. Sole parents with children five and older were required to be available for part-time work and sole parents with children 14 and older for full-time work. These work expectations were extended to women receiving the Widow's and Women Alone benefits and to partners of beneficiaries with children. In addition, single parents who had another child while on a benefit were required to be available for work after one year (Bennett, 2011).

Even more significantly, the government introduced three categories of benefits to replace all of the main benefit payments by 2013 (Bennett, 2011; the changes are detailed in Box 2). The use of the title Jobseeker Support to cover a wide range of benefits served to reinforce the 'work first' nature of National's approach to support.

Box 2: Changes to welfare benefit categories announced 2011

People currently on:	**Change to:**
Unemployment Benefit Sickness Benefit Domestic Purposes Benefit—Women Alone Domestic Purposes Benefit—Sole Parent if youngest child is aged 14 and over Widow's Benefit—without children, or if youngest child aged 14 and over	Jobseeker Support
Domestic Purposes Benefit—Sole Parent if youngest child aged under 14 Widow's Benefit—if youngest child aged under 14	Sole Parent Support
Invalid's Benefit Domestic Purposes Benefit—Care of Sick or Infirm	Supported Living Payment

Source: (Cotterell et al., 2017, p.14).

Changes to WFF 2010–2017

Cuts to the WFF package were announced in the budget on 19 May 2011. Minister of Finance, Bill English (cited in English, Bennett & Dunne, 2011, n.p) said that the design changes were to "better target Working for Families to lower income earners, and ensure its cost remains sustainable into the future." The changes to WFF were to be introduced in four steps, beginning 1 April 2012. When fully implemented, the changes would result in:

- A lower abatement threshold of $35,000, compared with the 2011 level of $36,827;
- A higher abatement rate of 25 cents in the dollar, compared with the 2011 level of 20 cents in the dollar;
- An alignment between Family Tax Credit (FTC) payments for children aged 16 years and over and FTC payments for those aged 13 to 15 (English, Bennett & Dunne, 2011).

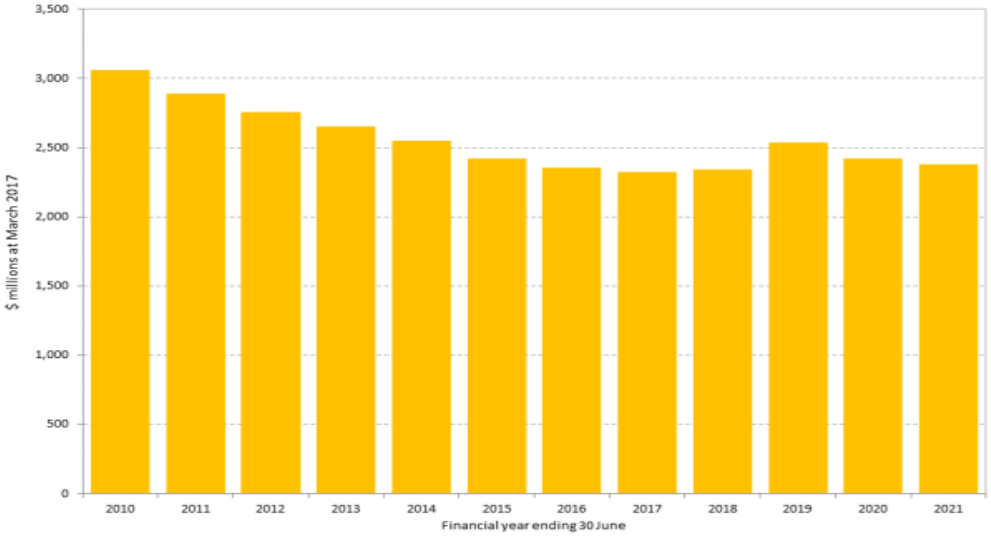
Had WFF been properly and automatically indexed, the abatement threshold would have risen significantly instead of being reduced over time to its 2005 level of $35,000. The increase in the rate of abatement to 25% from a lower level of income would make the problem of overlapping abatements much worse for working parents, as discussed below.

On 1 April 2012, the FTC was adjusted for inflation but the rate for those aged 16 and over was frozen and the threshold for abatement was reduced by $500 to $36,350 as it began the promised reduction to $35,000. Instead of annual adjustments, the FTC was only increased once there had been 5% cumulative inflation since the last change. The 2012 change was to be the last inflation adjustment until 2018 (Cotterell et al., 2017).

The results of these changes were to dramatically reduce real spending on WFF over time, as shown in Figure 1. The real saving in costs was described by the government as minor and gradual (Dunne cited in English, Bennett & Dunne, 2011, n.p) but, when compared to what a properly indexed scheme would have cost, the cumulative savings were very significant. For example, by 2017, the government should have been spending another $700m per annum, just to stand still. Over the period 2010–2018, the cumulative loss to low-income families was nearly $3 billion.

Improvements to some child-related measures tended to be only to those that required meeting paid-work criteria. Thus, the Parental Tax Credit (PTC) for new-borns, part of the WFF tax credits, was increased from $150 per week to $220 per week, and the period of payment was extended from eight weeks to 10 weeks, from 1 April 2015, increasing the maximum payment from $1200 to $2200. However, the abatement rate was raised from 3.26c to 21.25c for each additional dollar of family income, meaning around 400 higher income families would no longer qualify (Inland Revenue Department [IRD], 2014). Families with a new-born baby could receive the PTC only if they were not receiving PPL or a main social security benefit. PPL was increased from 14 weeks to 16 weeks and then to 18 weeks on 1 April 2016, and regularly increased. The Minimum Family Tax Credit (MFTC), which was a top-up for those who met the hours of work requirements and were not on a benefit, was also regularly increased to provide a guaranteed real minimum family income (IRD, 2019).

Figure 1: Real spending ($ 2017) on Working for Families 2010–2017



Source: CPAG (2019, p.2).

2015–2017: The third term in office

In the 2015 budget, National announced a number of measures that were, at least to some degree, a response to increasing evidence of rising levels of poverty. The Child Material Hardship Package contained an unexpected increase of $25 per week in benefit rates for families with children, effective from 1 April 2016. Finance Minister, Bill English (2016), claimed that this was

the first increase in benefit rates above the rate of inflation for 43 years. However, there was no increase in benefits for those without children and for those with children, on a per person basis, the amount was very small. The changes to WFF from 1 April 2016 included:

- An increase to the IWTC from $60 to $72.50 a week (by $12.50 a week, or around 21%);
- An increase in the abatement rate for WFF tax credits, from 21.25 cents to 22.5 cents in the dollar, and a lower threshold of $36,350; and
- An increase in the MFTC of $12 a week.

The changes meant that working families earning less than $36,350 a year in gross income received the full IWTC increase. Of course, the IWTC had never been indexed and this increase was a catch-up payment only. A very small number would also receive the MFTC top-up payment, to give them a total weekly increase of $24.50 per week. The changes to WFF tax credits were expected to benefit an estimated 110,000 families with 190,000 children (Collins, 2015). The maximum period of government-funded PPL was increased from 16 to 18 weeks. However, once again all these increases favoured those in paid work rather than those on benefits.

Along with the small core benefit and WFF increases, additional work readiness requirements (taking effect from 1 April 2016) were introduced and most sole parents, and partners of beneficiaries, were required to be available for part-time work once their youngest child turned three, rather than five. In addition, all beneficiaries with part-time work obligations were to find work for 20 hours a week, rather than 15 hours (English & Tolley, 2015). Even so, they would not qualify for the IWTC.

Beneficiaries receiving SPS were required to re-apply for their benefit every 12 months, as was already required of those on the main unemployment benefit, Jobseeker Support (English & Tolley, 2015); this meant that around two-thirds of all beneficiaries would face an annual expiry and reapplication process, enabling MSD to recheck their eligibility and confirm they were fulfilling their obligations to prepare for work and job-searching.

By 2017, there was mounting evidence of a widespread crisis of homelessness and hunger (St John & So, 2018). On 25 May 2017, National

announced a Family Incomes Package, worth an estimated $2 billion per annum, designed to assist low- and middle-income earners with young families and higher housing costs. The package included changes to tax thresholds, Working for Families and the Accommodation Supplement and would be implemented from 1 April 2018 (Joyce, 2017), but only if National was returned to power.

Minister of Finance, Stephen Joyce (2017), estimated that the measures would lift 20,000 households above the threshold for severe housing stress and reduce the number of children living in families receiving less than half of the median income by around 50,000. The measures included:

- An increase of the $14,000 income tax threshold to $22,000, and the $48,000 tax threshold to $52,000;
- Discontinuation of the Independent Earner Tax Credit;
- An increase to the FTC rates for young children to the level of those for children aged 16 to 18, an increase in the abatement rate and decrease in the abatement threshold;
- An increase to the Accommodation Supplement maximum amounts and an update to the Accommodation Supplement areas to reflect 2016 rents;
- An increase of $20 to the weekly payments of the Accommodation Benefit for eligible Student Allowance recipients.

The expected modest improvement in the overall poverty rate disguised the fact that the package was not a step change for the children living in households below the 40% After Housing Costs (AHC) line. For example, a one-child family supported by a benefit saw their FTC increase by only $9.25 after more than six years of no adjustment for inflation, let alone growth in average wages.

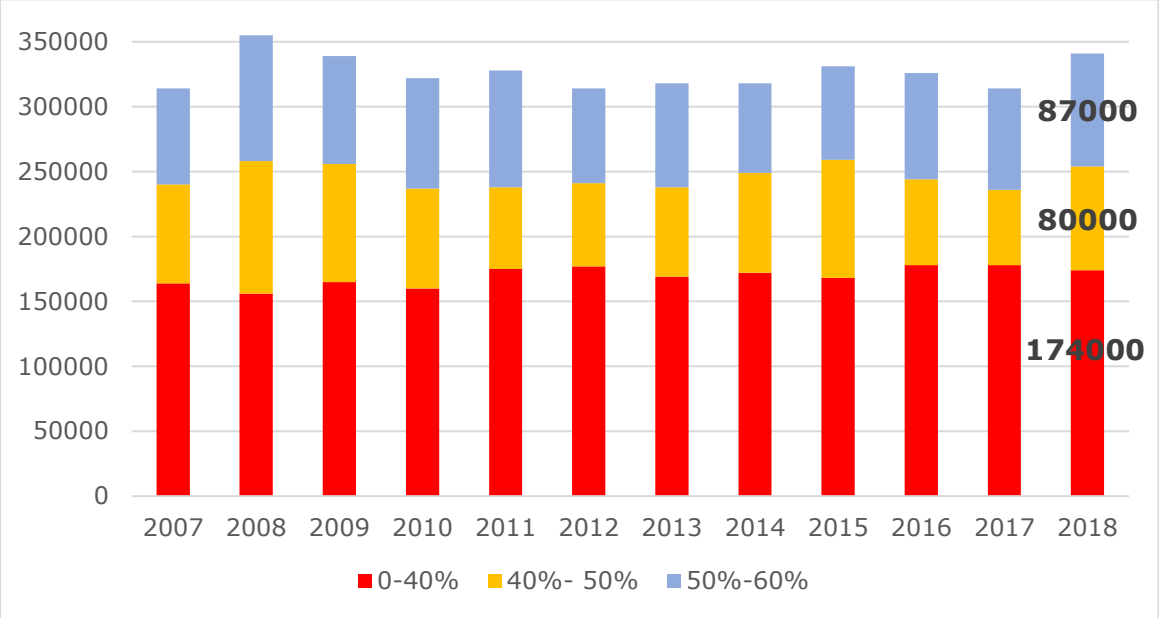
There were a number of serious flaws in National's package which resulted in an increase to the effective marginal tax rates (EMTRs) of low-income families earning above $35,000. The combined effect of the abatement of WFF (25%) and the Accommodation Supplement (25%) and tax would have perpetuated strong work disincentives on the working poor, creating unacceptable poverty traps over long income ranges.

High EMTRs arise for many families due the complex interactions of all targeted assistance and income-contingent repayments such as student loans. They are the inevitable consequence of the paradigm shift begun in the 1990s that entailed a low top-tax rate, user pays for social provision and tightly targeted welfare payments of all kinds (Nolan, 2019). So, for example, low-income families earning extra income over $35,000 would face an effective marginal tax rate of at least 67.50% or 79.50% if repayment of student loans applied. Other targeted policies such as childcare subsidies and child support payments could make the EMTR picture even worse for families in particular circumstances.

In summary, National made many incremental measures from 2008 that continued to tighten the conditions under which welfare support was provided by extending work readiness and work participation requirements for most categories of benefit recipients. FTCs were expanded but largely for the children of those in work. These measures represented a further embedding of the policy direction introduced by National in the 1990s, that is towards a residual welfare state where public provision of support for those in need was minimised and paid work was seen as the only way out of poverty.

Figure 2 shows the baseline data for the AHC relative measures of child poverty adjusted historically. The persistence of the deepest poverty by the end of National's three terms can be seen in the 174,000 children under the lowest line of 40% AHC.

Figure 2: Number of children below three AHC poverty lines



Source: Derived by authors using data from Stats NZ (2019).

Family policy under Labour 2017: More of the same or a paradigm shift of a different kind?

The Labour Party (2017) announced its version of family incomes policy called the Families Package, to be introduced on 1 July 2018 if Labour was successful in the election. It was and Labour formed a coalition with the New Zealand First Party, alongside a confidence and supply agreement with the Green Party. The new government began to implement its Families Package more or less as it had indicated it would. This:

- Boosted the incomes of low- and middle-income families with children by increasing the FTC and raising the WFF abatement threshold;
- Introduced a Best Start tax credit to help all families with costs in a child's early years;
- Introduced a Winter Energy Payment to help older New Zealanders and beneficiary families heat their homes over winter;
- Increased the rate of Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance by $20.31 per week;
- Increased PPL to 26 weeks;

- Reinstated the Independent Earner Tax Credit;[2]
- Implemented the Accommodation Supplement and Accommodation Benefit increases announced in Budget 2017; and
- Repealed the tax cuts and changes to WFF announced in Budget 2017 (New Zealand Government, 2017).

Labour's Families Package was expected to reduce the numbers of children below the 50% BHC line by 88,000. However, revisions announced by Treasury (2018) showed there was an error in the earlier projections. On 31 March 2018, new calculations were released that showed the projected impacts of both National and Labour's packages were overstated. Treasury re-estimations show that Labour's package would only lift around 54,000 children above the 50% BHC line, a 27% reduction by 2021. However, National's package would have lifted only around 27,000 children above the 50% BHC line, a 17% reduction by 2021.

The Labour government's stated three-year targets set out in the Child Poverty Reduction Act 2018 included reducing the proportion of children in low-income households (50% Before Housing Costs moving) by six percentage points by 2020——a reduction of around 70,000 children. Together with other policies, it hoped that these targets would assist the reaching of 10-year goals to more than halve child poverty. While the 40% AHC line is one of the supplementary measures, goals were not set for the reduction in child poverty on this measure. Sadly, as in the past, the children who fall the farthest from the 50% line are the most difficult to help. Research showed that families on core benefits paying typical rents had AHC incomes under 30% of the median and would need a sizeable boost to come close to the 50% line (St John & So, 2018).

In May 2018, the Labour-led government established the Welfare Expert Advisory Group (WEAG) to advise it on the future of New Zealand's social security system. The WEAG (2019) report contained a series of

[2] The Independent Earner Tax Credit (IETC) was only for those not receiving WFF. The IETC paid an extra $10 a week between incomes of $24,000 and $48,000 and reduced by 13% above that.

recommendations, which, if all implemented, would radically transform the welfare state. WEAG (2019) claimed that $5.2 billion per annum extra spending was necessary and that the current system was "broken". Family incomes were to be boosted by a large increase in WFF, a new work-related tax credit not associated with children was to replace existing work-related tax credits and significant increases were to be made to core benefits, among other changes.

The Labour-led government's response was minimal, promising the indexation of benefits to wages from 2020 but no rise in benefit levels, a $5 increase to threshold abatement of benefits over five years to become $25 by 2023 and the removal of sanctions against sole parents who do not name the father of the baby, by 2020 (New Zealand Government, 2019). At the time of writing, these somewhat timid policy responses did not suggest the 'transformative change' that Labour had alluded to during its election campaign.

Conclusion

Family incomes policies have undergone considerable change in New Zealand since the 1990s. The measures introduced by National in the 1990s included radical reductions in benefit levels, the tightening of eligibility rules for receipt of benefits, the introduction of work readiness requirements for beneficiaries and the use of a discriminatory discourse which stigmatised benefit recipients as bludgers and scroungers. The changes represented a paradigmatic shift to a residual welfare state.

During its time in office between 1999 and 2008, Labour increased income support for families but continued the work-focused policies of its predecessor, including going so far as to write work-related values into the 2007 Social Security Act. In line with a work-incentive approach, Labour did not restore benefits levels to its 1990 parity with wages so that, in 2008, just as in the 1980s, Labour had again paved the way for an incoming National government to make even more extreme reforms. Labour's changes to the purposes and principles of the act in 2007 allowed National to further emphasise the primacy of paid work and to downplay any social insurance aspects of social security or community responsibility. This allowed the

purposes and principles of the act to become more narrowly interpreted over time by the bureaucracy. For example, beneficiaries could find that family loans were treated as income for abatement purposes or assistance was withheld based on judgements about the beneficiary's access to other avenues of support.

The incremental changes made by National to policy early in its 2008–2017 term reflected a continuation of what went before. The changes included a focus on paid work and a continuation of punitive measures alongside minimal increases in income to alleviate the high and rising levels of poverty. Towards the end of its three terms in office, National's policy choices became somewhat constrained by the rising levels of public concern about child poverty. In response, National introduced some incremental changes, such as the raising of benefit levels, and proposed a new Families Incomes Package if elected but this was not a change of heart or a new direction.

While the pre-2017 election rhetoric from Labour suggested that it would break from the policy path of its National predecessor, the first two years of its time in office have not demonstrated this. Labour has continued to follow the National-led government's approach to work-focused child-related payments and inadequate benefits and sanctions have not been removed. An exception is the universal Best Start payment of $60 a week for new-borns for their first year. After the first year, up to the age of three, Best Start becomes a targeted payment that, unlike the PTC it replaced, does not have work-based criteria for its receipt. The IWTC has remained, however, and much of the Families Package focused on the working poor by significantly raising the threshold for full receipt of WFF from $35,000 where National was going to set it to $42,700 per annum. While this was welcome relief, it was far short of proper indexation of all aspects of WFF. Labour also retained National's increased rate of abatement of 25%.

The National-led government's social policy legacy of stagnation at the appeared to make it hard for the Labour-led government elected in 2017 to radically reverse National's 1990s paradigm shift. Explanations may include the persistence of a powerful bureaucracy entrenched in that paradigm, as well as fears that the new government is being judged, and is judging itself,

by prevailing neoliberal fiscal rules. The presence of New Zealand First in the coalition government may also be inhibiting any significant shifts in policy positions. The Labour-led government may further be afraid of stirring up typically unfavourable public opinion towards any increases in income for beneficiaries. It may also be that the Labour Party itself is captured by the old paradigm.

Whatever the cause, the WEAG (2019) report told New Zealand the welfare system was broken and outlined radical and expensive reform. But, by the end of 2019, there was little evidence of uptake of the WEAG ideas or even a sense of urgency within the Labour-led government. Given New Zealand's short-election cycles and with an impending election in 2020, it seems unlikely the policy paradigm around family incomes policy that National established in the 1990s will be seriously challenged in the near future.

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