


29 Vaz, ‘How Private Equity Won’.


Inequality in New Zealand is now greater than it was in the 1920s, prior to the socio-economic upheavals of the 1930s. Since the 1970s our current economic system has increasingly benefitted those who already have wealth at the expense of people of more modest means. In this context, the considerable increase in the number of people living precarious lives (the precariat) is primarily the product of dysfunctional intergroup relations where more affluent groups take too much and leave less affluent people with not enough. The most recent statistics available indicate that wealth inequality is rising in New Zealand. In 2015, the top 20 per cent of New Zealand households held 70 per cent of the national wealth.

Throughout history, distributive economic policies have been used to rebalance the interests of elites with those of less affluent citizens. New Zealand has a history of such initiatives, designed to enhance the equitable distribution of economic resources in society in favour of groups of more modest means. The wide range of government housing and welfare programmes implemented in the twentieth century are examples of initiatives that rebalanced interests towards the wider populace. Public housing programmes, for example, were intentionally designed to undercut private landlords and developers, and to thereby curb property speculation and excessive rents. The immense losses and hardship associated with the Great Depression galvanised public support for state-led efforts to rebuild society and to ensure a decent standard of living for all. This produced a wide societal consensus that the state should take active responsibility for the welfare of all citizens.

Unfortunately, these welfare structures have been undermined in recent decades with a move to an increasingly ruthless free-market approach. The term ‘penal welfare’ is used to refer to the shift in welfare from a universal system based on citizenship rights to one that is increasingly targeted and punitive. Such an approach involves an increasing convergence between state welfare and correctional systems, whereby those receiving government assistance are managed and controlled in ways that emulate the treatment of criminal offenders.

This chapter explores the consequences of this increasingly penal approach to welfare for the precariat. First, we describe in more detail what we mean by penal welfare, as a system designed to punish people in need for the conditions of their lives. We then consider the consequences of this system through the first-hand accounts of people who rely on welfare. To conclude, we present the need for an anti-oppressive welfare system.

**Resurrecting a ‘New’ Penal Approach to Welfare**

The resurrection of penal welfare stems from the longstanding and erroneous arguments that people are poor primarily as the result of their own choices, or because of ‘immorality’ among the lower classes, and the promotion of ‘cultures of dependency’ on welfare. Those deemed to be promiscuous single mothers or work-shy delinquents are caricatured as defective citizens lacking the motivation and skills to lift themselves out of poverty. Contemporary ‘underclass theory’ proposes that welfare encourages indolence and breeds dependency, increasing the population of impoverished people and thereby undermining a productive society. Yet there is considerable evidence that government spending in social protection and health not only improves public health, but can also actually benefit the economy. Researchers Ronald Labonté and David Stuckler draw on figures from the International Monetary Fund (IMF) to claim that for every $1.00 of public investment in these areas there is a return of $1.60.

Despite such international evidence, poverty and precariousness are widely believed to be due to the choices and the reckless behaviour of
the ‘underclass’.

Correspondingly, tough love is championed as a way of saving ‘these people’ from themselves, and for ensuring the moral and economic fabric of society remains intact. For example, in 2013, Dr David Bratt, the Principal Health Advisor to New Zealand’s Ministry of Social Development, warned that, in his view, welfare benefits function as ‘an addictive debilitating drug with significant adverse effects to both the patient and their family (whanau) — not dissimilar to smoking’. Dr Bratt advised that case managers needed to adopt a tough-love approach with their clients to curb the perpetuation of a vicious cycle of dysfunction.

The perceived need to ‘get tough on the poor’ has very serious material implications for how society responds to poverty. Such thinking once contributed to the development of workhouses in the 1800s, and today underpins a range of punitive approaches to poverty relief. We are again seeing harsh forms of ‘poor relief’ that are run according to a correctional (penal) logic designed to discourage the perceived ‘reoffending’ of people being dependent on state benefits. This punitive orientation is emerging internationally, and New Zealand is no exception. Across different countries there is now a fairly predictable pattern of penal welfare reforms despite scant evidence to support the assertions that welfare breeds dependency, the existence of a ‘work-shy’ underclass, or that punitive approaches are effective in addressing hardship.

The rise of penal welfare across many countries has resulted in the increased dehumanising of people seeking welfare assistance, and an increasing propensity towards punishment and paternalistic control over their lives. Three of the authors of this chapter were involved in a research project, known as Family 100, which followed the experiences of 100 families accessing a food bank in central Auckland. The researchers removed food insecurity for the families by providing them with food, in return for which they spoke frankly with social workers every two weeks about their experiences over a one-year period. Tara gave a typical account of being reluctant to seek assistance to meet basic necessities because of the way she is treated by the staff at Work and Income (WINZ), the government social agency. She explained:

Because if I go to WINZ [and say] ‘This is the situation, I need this, I need that.’ They said, ‘Oh, well, it’s your own fault if you struggle more’ … WINZ expect me to run here and there and yet I told them, ‘I just finished giving birth. I can’t run here and there. Please, I’m already over my limits.’ I had my two girls in the car and I had to sleep at seaside park with a newborn. Then, Child Youth and Family Services might think I’m a bad mum, with a newborn and nine-year-old and take my kids.

The punitive welfare approach has coincided with reductions of government investment in housing, job creation, social services, healthcare, education and public infrastructure. This erosion of the supports and services that underpin people’s everyday living situations has occurred alongside the scaling up of the correctional system and the expansion of the prison system, including privately run for-profit prisons. In 2016 the government announced the building of new prisons when New Zealand already has one of the highest imprisonment rates (in 2011, the rate was 199 prisoners per 100,000) in the OECD.

Instead of supporting vulnerable people in times of need, it appears that the main priority of penal welfare services has become restricting access to benefits and making access to entitlements increasingly difficult. The primary function of WINZ is now to survey, manage and recondition ‘clients’ using various behavioural techniques. Recipients of welfare must meet increasingly stringent demands for compliant behaviours that are enforced through intense supervision and case management. For example, in the United Kingdom people receiving welfare are required to complete online psychometric assessments that are designed to identify ‘character flaws’ that are preventing them from gaining employment, and must therefore be worked on. Behavioural obligations have replaced citizens’ rights to support, and subordination has become mandatory for people to access increasingly meagre welfare provisions. In this way, members of the precariat seeking welfare assistance have been transformed into ‘civic felons’ who must be treated with suspicion and disciplined. Non-compliance with the conditions of assistance result in sanctions, such as the removal of entitlements, reduced benefit payments, fines, and in some
cases banishment from the ‘system’.

Across countries such as the UK and New Zealand, people who have not met these increasingly stringent behavioural conditions for support are delisted from welfare registers. Such members of the precariat have lost their primary source of income, and those remaining on welfare lists live in constant fear of sanctions and of having their welfare support withdrawn. Exact numbers of beneficiaries who are sanctioned are difficult to ascertain, but such punishments are estimated to affect thousands of people annually, and reflect on-the-ground experiences of beneficiary advocates and social agencies such as food banks in New Zealand. Harsh requirements for accessing government assistance have undermined access to welfare and increased hardship, trapping many people in inadequately resourced lives of deprivation, debt, fear and servitude.

WHAT’S LIFE LIKE FOR THE TARGETS OF ‘TOUGH LOVE’?

Through spending time with people engaged with the penal welfare system — as we have, in detailed conversations with 100 impoverished families over a year — we are struck by the ineffectiveness of penal welfare. This system only exacerbates hardship in already stressful lives, deprives people of basic necessities, such as food and shelter, and undermines their dignity and self-respect. Participants in the Family 100 research by Hodgetts and colleagues often spoke with fear about their visits to the WINZ office. As Eva stated, you have to ‘just shut up and suffer through it’. Personal criticisms are a common experience and mean that participants only go to WINZ as a last resort. Mavis said: ‘I have anxiety when I know I have to go to WINZ so I’d much rather go and find help from another agency. Not be questioned and put down. I’m afraid of the emotional roller-coaster that I’m gonna face having to justify everything.’

Penal welfare interactions are often characterised by coercion, detailed monitoring, denial of resources, blaming, humiliation, threats, and the minimisation of legitimate concerns. Welfare clients are frequently forced to present themselves as compliant subjects who must placate their case managers. For example, Tammy gave an account of the hostility she experiences at the welfare office:

I find WINZ very judgemental. They look at the computer screen, say you’ve been in 10 times in the last six months and you’re instantly, ‘Oh, you’ve been here too much.’ It’s, ‘Do you think I’d be here if I didn’t need help?’ The experiences with them — I’ve cried in front of them. I’ve lost it in the office more than a couple of times and no-one even gives a tissue. Is there any compassion in this office?

The coercive nature of our welfare system is promoted and made routine through acts such as the detailed scrutiny of people’s budgets, a lack of care for people who obviously do not have enough, and an unwillingness to inform applicants fully of their entitlements.

Members of the precariat that we engaged with in the Family 100 research project reported high levels of intrusion when seeking financial assistance for very legitimate reasons, such as feeding their children. Charlotte, for example, recounted how she provided detailed information on her children and the family’s financial situation and requested a food grant of $150. The staff member then contemplated the request for a while before offering her $40 with no justification for the lower amount. Charlotte then went back over her budget, proving that she was spending her money morally, ‘right down to the petrol receipt’. This did not persuade the WINZ staff member to change the offer. Charlotte described what happened next: ‘I said, “I cannot feed my kids.” She [the case worker] goes, “Do your kids eat rice? Do they eat soup?” Degrading, it was completely degrading.’

Despite such negative experiences, it is important to note that there are also instances of case managers showing care and concern for their clients. Our concern here is with the overarching objectives driving the delivery of services, which include the need to reduce the taxpayer cost of welfare and to extinguish welfare dependency regardless of whether or not people have alternative sources of income.

In many cases, interactions between welfare agency staff and welfare claimants can be harsh, involving unnecessary personal criticism, judgemental comments and a lack of care. As a result, clients often develop fears about how staff will react to requests for assistance. Tammy, who we quoted above, finds her engagements with WINZ
‘traumatising’. She thinks about it constantly beforehand and ‘dreads’ having to go to the office. Tammy declared: ‘It’s humiliating sometimes having to go in there and say, “I have no food, I have no clothes, please can you help me?”’ In this time, at the moment, asking for help with just the basic everyday things is humiliating.’

Also humiliating is the very architecture of the welfare office, which has security cameras, guards and a lack of private spaces for clients to divulge personal information. The space is physically punitive rather than receptive, and resembles correctional facilities in both form and function. In early 2017, WINZ introduced new security protocols whereby all visitors to a WINZ office need to present personal identification and their appointment letter to a security guard before gaining entry. Union leaders have slammed the policy, stating that it is unworkable, unsafe and acts as a further barrier for people in need, many of whom do not have valid forms of identification. The policy also breaches privacy since WINZ appointment letters often contain confidential information. The screening of people out on the street in full view is dehumanising and exacerbates client frustrations. These everyday interactions in and around welfare offices strip people of their dignity, produce frustration and provoke anxiety, all associated with having to submit oneself to the regulation of penal welfare.

The institutionalisation of suspicion is evident in the way clients are assumed to be trying to ‘rip off the system’. Welfare recipients report being treated as criminal suspects who cannot be trusted and whose dependency requires correction by staff ‘taking a hard line’. Shelley expressed a very common reaction, saying, ‘I hate WINZ. I find them really hard to deal with,’ and ‘I get quite upset.’

The punitive response to people’s efforts to access their welfare entitlements can wear them down over time to the point where they no longer seek support. Such ‘self-discharges’ contribute to the ‘missing’ segments of the precariat who are not registered as being in paid work, nor as drawing benefits. Meanwhile, the corresponding drop in the official unemployment rates and benefit claimant numbers is loudly celebrated by the government as a reflection of the effectiveness of its efforts to combat the perceived evils of welfare dependency. The Unite union reported that from 2007 to 2013 the number of people accessing welfare fell by 5 per cent, however unemployment had only fallen by 2 per cent.

The lack of adequate resourcing from welfare payments has forced many members of the precariat into increased financial precarity. Since 2010, New Zealand welfare reforms have sought to push people off welfare and into work. Yet there is no corresponding commitment to ensuring that former beneficiaries do not end up worse off as a result of being forced into low-paid and insecure work. While no accurate records exist, there are estimates that at least 30 per cent of the workforce is now in insecure work. Taking a low-paid, insecure job often does not resolve poverty. Many of the working poor still rely on welfare when their income from employment is interrupted or insufficient to cover their basic needs.

At the same time, it is becoming much more difficult and stigmatising for people in need to access their welfare entitlements. People denied adequate assistance from government welfare offices often turn to fringe lenders (such as payday lenders and loan sharks) to meet their immediate needs ‘when WINZ isn’t available’, as Helen explained to our researchers. Consequently, many members of the precariat end up indebted to unscrupulous lenders with their exorbitant ‘brokerage fees’ of up to 10 per cent of the loan amount, establishment fees of up to 5 per cent of the loan amount, and annual interest rates of over 20 per cent. Such loans are often the only way the precariat can escape an abusive relationship with the penal welfare system and the relentless accusations that financial hardship is ‘your own fault’, as Tara expressed it. Taking on private debt in this way is preferable to having their children go hungry.

People who access fringe lenders know they are being exploited, but consider these exploitative relationships preferable to further engagements with the penal welfare system. This is often because, in their interactions with fringe lenders, they are at least treated with respect and dignity. This is a perverse situation in that the harshness of the penal welfare system creates a demand, and a steady supply of ‘customers’, for fringe lenders. This demand, in turn, provides opportunities for investors in these private companies to draw profits from the precariat through the very high interest rates paid on loans.
that families struggle to afford. Following international trends in the US, UK and Australia, New Zealand penal welfare reforms have led to poorer people increasingly accessing fringe lenders.  

It is clear from the experiences of the precariat that penal welfare is not about alleviating hardship. Instead, the main priority appears to be to discourage ‘welfare dependency’ by increasing tough love and hardship for people in need. Behind the daily material and psychological suffering experienced by members of the precariat lies a patchwork of adversarial relations between poorer and more affluent groups in society. The public has been told for decades that distributive welfare programmes breed dependency and poverty, and that the ‘caring’ thing to do is to adopt a stricter approach that rehabilitates the precariat by discouraging dependency. The penal approach to welfare has undermined notions of citizenship and rights that underpin more humane approaches, replacing these with a moralistic caricature of an undeserving, psychologically inferior underclass.

The reappearance of an old-fashioned punitive state and the rise of unemployment, precarity and the working poor are interrelated. As French sociologist Loïc Wacquant notes, ‘The invisible hand of the [casualised labour] market and the iron fist of the state combine and complement each other to make the lower classes accept desocialised wage labour and the social instability it brings in its wake.’

WHAT NEEDS TO BE DONE TO RECTIFY THE SITUATION?

Put simply, penal welfare needs to be abolished. It is an overt indicator of the development of a more adversarial society where human relationships are commodified and increasingly characterised by selfishness, exploitation and punishment. More humane approaches to welfare, based on notions of universality and rights, have proven to be more effective in addressing precariousness and hardship by distributing resources more equitably to less affluent groups in society. In comparing the impact of different welfare systems on poverty rates across the OECD, epidemiologist David Brady notes, ‘Where poverty is low, equality has been institutionalised. Where poverty is widespread, as most visibly demonstrated by the United States, there has been a failure to institutionalize equality.’

Rights-based and universal welfare systems have historically gone some way towards protecting people from socio-economic vulnerabilities, including the impacts of job losses, insecure employment, unliveable wages and unaffordable housing. We need to reinvigorate an emphasis on human rights, and to embrace an anti-oppressive orientation that employs welfare initiatives to alleviate hardship.

In redeveloping such a system we should rely less on the assertions of mean-spirited people, and instead include input from client groups so we can respond to the actual needs of members of the precariat. At a base level, an anti-oppressive approach requires that staff of welfare agencies engage with clients with respect and dignity. After all, international research demonstrates a clear relationship between more humane welfare policies and the improved wellbeing of society. As mentioned earlier, it is estimated that for every dollar of government spending to support low-income households there is a $1.60 return in economic growth. In part, this economic return occurs because, when people of modest means have more income, they can take better care of their needs.

An anti-oppressive welfare system also needs to be embedded within broader socio-economic reforms that ensure living wages, quality work conditions, and that wealthy individuals and corporations contribute more equitably to the overall health of society. As many scholars have argued, there is no shortage of wealth in the world, but there is a severe misallocation of resources. Cultivating feelings of responsibility and care towards other people is central to the development of a more humane system. Developing an anti-oppressive orientation also opens up the possibility of considering developments such as Universal Basic Incomes that can be used to institutionalise citizen rights to survival and encourage human flourishing, address precariousness, and remove the stigma currently directed towards people in need. Finally, renewed solidarity and the cultivation of more trusting social relations is central to building a more equitable and inclusive society that promotes human flourishing for all, not just for a select few.


Hodgetts and Stolte, *Urban Poverty*.


Ibid.


Wacquant, *Deadly Symbiosis*; Bauman, *Collateral Damage*.

Wacquant, Punishing the Poor; Wacquant, *Deadly Symbiosis*; Garland, *Punishment and Welfare*.


Pseudonyms are used wherever the participants in this research are quoted.


http://nzcreditaapplications.co.nz/?gclid=COOr67n829jCFcKvQtGoNJg

Sudden, ‘Putting Wellbeing Back into Welfare’.


Wacquant, *Punishing the Poor*; Wacquant, *Deadly Symbiosis*.

Wacquant, *Deadly Symbiosis*, 404.

Hodgetts and Stolte, *Urban Poverty*.


Brady, *Rich Democracies*.

Hodgetts and Stolte, *Urban Poverty*.


Ibid.

Sayer, *Why We Can’t Afford the Rich*.