

Aide-mémoire



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Cabinet paper

Date: 1 August 2024 **Security level:** Cabinet Sensitive

For: Hon Louise Upston, Minister for Social Development and Employment

File Reference: REP/24/7/713

Changes to welfare settings to support people into employment and off benefit – Traffic Light System;

Changes to welfare settings to support people into employment and off benefit – 26-week reapplications for Jobseeker Support

Cabinet Committee

Social Outcomes Cabinet Committee

Date of meeting

7 August 2024

Minister

Hon Louise Upston, Minister for Social Development and Employment

Proposal

You are seeking agreement to your proposals for the design of your Reducing Benefit Dependency manifesto policies (Traffic Light System and a 26-week reapplication for Jobseeker Support); and to issue drafting instructions to the Parliamentary Counsel Office.

Key talking points

Reducing Benefit Dependency

- I am seeking your agreement to the policy proposals outlined in these two papers.

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- I'm proposing to introduce a Traffic Light System that will communicate that clients must comply with their obligations or risk being sanctioned.
 - This will be delivered in two phases, the first starting on 12 August 2024 when MSD will transfer all clients with work preparation, work and social obligations to the corresponding light based on their current compliance. Clients will see information introducing the Traffic Light System on MSD's websites and will be notified of their traffic light colour if they fail an obligation.
 - The second phase, including introducing non-financial sanctions such as Money Management and Community Work Experience, will go live on 26 May 2025.
 - I am also proposing to introduce more frequent reapplications to benefit for Jobseeker Support clients. This will halve the time between reapplications to benefit for this cohort from 52 weeks to 26-weeks. This will send a strong signal that being on benefit is temporary and will require clients to engage with MSD more regularly about their job searching activities, as well as confirming they remain eligible for benefit.
 - The 26-week reapplication requirements will be rolled out from 1 July 2025.
 - As a first step towards more frequent reapplications, MSD recently launched Kōrero Mahi – Let's Talk Work and Work Check-in seminars for Jobseeker Support clients who have reached 26-weeks on benefit, to create more regular client engagements and reinforce obligations.

Amendments to the Social Security Act 2018

- I am seeking your agreement to instruct the Parliamentary Counsel Office to draft legislation to amend the Social Security Act 2018 and associated regulations in line with my proposals.
- MSD has already begun to make changes to reflect my priorities and amendments to the Social Security Act 2018 are required to fully realise the Traffic Light System and more frequent

reapplications to benefit for Jobseeker Support clients.

- Critically, they are required to introduce non-financial sanctions such as Money Management and Community Work Experience, as well as enabling the Jobseeker Support benefit to expire at 26-weeks.
- I also intend to extend the length of time an obligation failure is counted against a client from 12 months to approximately two years and require all new applicants for certain benefits to complete a Jobseeker Profile before being granted a benefit.
- I expect that there may be some further decisions required to finalise drafting instructions for the bill. I am seeking delegated authority from Cabinet to take those decisions.

Questions and Answers

Below are proactive Q & A based on feedback themes to support your discussion with Ministers.

Jobseeker target

Respondents asked how these policies contribute to reducing Jobseeker numbers

- The number of people on Jobseeker Support has been increasing and is expected to continue to rise peaking in January 2025 at around 202,000 people (BEFU forecast). Mostly relating to the weakening of economic conditions.
- I want to make the welfare system more proactive and support people into work. Alongside the proposals discussed in my papers, MSD has already implemented a range of initiatives to help address the number of people on Jobseeker Support, and create more client interaction and engagement including:
 - Kōrero Mahi – Let’s Talk Work and Work Check-in seminars for clients new on benefit and again at 26-weeks on benefit to create more regular client engagements and reinforce obligations.
 - Case Management refresh and new Employment Investment Framework to direct

MSD's investment and resources to priority Jobseeker cohorts.

- Phone-based case management for 4,000 youth Jobseeker clients.
- The proposals for a Traffic Light System and more frequent reapplications to benefit will support reducing the number of people on Jobseeker Support by incentivising clients to focus on activities that will get them into paid employment and increasing friction in the system to make being on benefit more uncomfortable.

Traffic Light System

What are the costs of implementing the Traffic Light System?

- There will be costs to MSD, which will be absorbed through baseline funding. The proposals for Money Management, Community Work Experience and the requirement for new applicants to complete a Jobseeker Profile have been developed to be an efficient use of frontline resourcing, however it will still be necessary for MSD to prioritise its resources accordingly. Service levels for some clients may also be impacted.
- I am proposing that any savings generated from these proposals be put towards the Budget 2025 allowance.

Will the Traffic Light System be accessible to clients who are colour blind or have other accessibility needs?

- MSD has given consideration on how to meet the varied needs of clients, in particular those who are colour blind. Alternative methods of communication are being developed for the launch of the Traffic Light System.

How does the Obligation Failure count period work?

- I am lengthening the period over which a failure is counted against a client to two years to increase the likelihood that clients who repeatedly breach their obligations receive more severe sanctions and move through to benefit cancellation if they remain on benefit for longer than a year.

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- Currently, obligation failures are counted against a client for 12 months from the date of the failure and are counted individually. In effect, this creates a rolling period where the sanction imposed depends on the client's count at the time of the latest obligation failure. Generally, if a client transfers between benefits, any obligation failures are carried with them.
 - To illustrate, after extending the count period to two years:
 - A client with a zero obligations failure count fails an obligation on 1 July 2025. This failure is counted until 30 June 2027.
 - The client fails a second time on 1 November 2025. From 1 November 2025 to 30 June 2027, this client has a count of two failures and will move to three failures and have their benefit cancelled if they fail again before 1 July 2027.
 - Between 1 July 2027 and 31 October 2027, the client has a count of one failure. From 1 November 2027, the client has a count of zero failures.

*Money
Management*

*[see Appendix
One for further
information]*

What will Money Management look like?

- Clients on Money Management will have 50 percent of their main benefit placed onto a payment card, which can only be used at specific stores or providers.
- In addition to the payment card, the client will also be required to complete an activity that is the same or similar to the obligation they failed in order to re-comply with their obligations.
- I intend that clients will stay on Money Management for a set period of time and will need to have completed this period and a re-compliance activity to exit.
- Clients will be required to complete four weeks on Money Management and a recompliance activity. If they have not completed the activity by the end of four weeks, the client will have their payments fully

suspended and may have their benefit cancelled if they continue to refuse to reapply.

- Note, I intend to retain the existing rule that Jobseekers with children can only receive a maximum 50 per cent reduction, suspension or cancellation of their benefit payment, should they refuse to reapply.

How will providers be involved in Money Management?

- I am seeking an enabling provision in the Social Security Act to provide flexibility for this to be implemented at a later date. The details on what role providers would play in Money Management is still being worked through by MSD, s 9(2)(f)(iv)

[Redacted text block]

What role will MSD play in delivering Community Work Experience?

Community Work Experience

- MSD will provide some support to clients. However, the intent is that clients will need to be proactive and conduct their own search for community work as part of this sanction.

How long are people expected to carry out Community Work Experience for?

- While I have not made final decisions on the hours and weeks required for Community Work Experience, I have indicated a preference for a search period of two weeks and then for clients to carry out their work experience for at least five hours per week for four weeks.

What if community organisations don't want to take clients on?

- MSD is talking with community organisations to test elements of Community Work Experience. This will inform further advice to me on the design and delivery of Community Work Experience.

26-week
reapplications

How does the new reapplication process differ from the current reapplication process?

- Currently, clients' benefits expire 52-weeks from their commencement (or last 52-week reapplication). They must attend a reapplication appointment and complete a Comprehensive Work Assessment and a reapplication form to reapply and have their benefit regranted.
- Under the new regime, clients' benefits will expire 26-weeks from commencement (or their last reapplication). We are introducing more flexibility into the reapplication process by enabling clients to meet the requirements for regrant through their previous engagement (specified activities).
- Clients will still have to complete an employment engagement, an eligibility check, agree to their obligations and confirm their reapplication. However, the reapplication may look different depending on the client's circumstances (for example, one client might attend an employment seminar, while another might have a one-on-one employment conversation).
- I have decided on this approach to reduce duplication of effort, manage volumes, and create efficiency gains, as well as more high-value engagements with clients.

Are there financial implications?

- We are anticipating a reduction in Benefit or Related Expenditure (BoRE) costs of approximately \$38 million over five years. I am proposing that any savings generated from these proposals be put towards the Budget 2025 allowance.

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- The reapplication acts as a passive opt-out for clients who are no longer eligible for their benefit and choose not to reapply.

How will the reapplication process consider disabled people and tāngata whaikaha?

- The new 26-week reapplication has more flexibility than the current 52-week reapplication. That means that clients who qualify will have more ways they can meet their reapplication requirements. There will be a range of ways for clients to complete the eligibility check, and a range of ways for the employment engagement.

Are there flow-ons for other organisations based on the introduction of a 26-week reapplication?

- Housing: I acknowledge agencies have raised concerns there could be an effect on the emergency housing target (fewer than 800 households in emergency housing), this is sensitive to changes to benefit administration and thus something we will be monitoring.
 - IR: Inland Revenue has a number of products where eligibility is based on people being off-benefit completely and in-work. More clients moving off benefit and into employment may increase up-take for some tax credits, notably the in-work tax credit. This would mean I am supporting the intended outcome of these policies, which is to have more people off benefit and into work.
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Appendices

Appendix One: Changes to duration of Money Management

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Appendix One: Changes to duration of Money Management

- 1 Following Ministerial feedback, you asked officials to provide you with further advice on providing a fixed period for Money Management. Under the new proposed approach, all clients placed on Money Management would remain on it for a period of four weeks, during which time they would be required to complete a recompliance activity.
- 2 If a client has completed their recompliance activity at any point during the four weeks, they would have their Money Management lifted at the end of the period and would return to Green.
- 3 If the client has not completed their recompliance activity by the end of the four weeks, they would have their benefit reduced (50% protection for people with dependent children) or stopped in line with the existing pathways for non-compliance for financial sanctions.
- 4 Longer fixed periods of Money Management make it more of a deterrent for clients, but also risks clients moving more slowly through the system, as they would not be subject to additional activities or incentivise clients to recompile faster during the fixed period.
- 5 We understand you intend to signal this new approach to your colleagues at SOU on 7 August 2024. We will be providing you with further advice on this approach through an upcoming report, to be provided to you on 14 August, to finalise drafting instructions for your bill.