

Budget Sensitive

Office of the Minister for Social Development

Chair, Cabinet Social Wellbeing Committee

## **WELFARE OVERHAUL – ADVICE FROM THE WELFARE EXPERT ADVISORY GROUP AND NEXT STEPS**

### **Proposal**

1. This paper is separated into three parts:
  - Part I provides an overview of the Welfare Expert Advisory Group's (WEAG) report and their recommendations.
  - Part II reports back on the Government's progress on the overhaul of the welfare system and indicates overall support for the recommendations of the WEAG to inform future work.
  - Part III commits to three priority areas of work and next steps in response to the WEAG report.
2. This paper also seeks Cabinet agreement to publish the WEAG report and a series of key evidence papers.

### **Executive Summary**

3. As part of the Confidence and Supply Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand, this Government has made the commitment to “overhaul the welfare system, ensure access to entitlements, remove excessive sanctions and review Working For Families so that everyone has a standard of living and income that enables them to live in dignity and participate in their communities, and lifts children and their families out of poverty”.
4. In May 2018 the WEAG was established to provide the Government with advice on the overhaul of the welfare system as part of this commitment [SWC-18-MIN-0050].
5. In February 2019 the WEAG provided me with its final advice in their report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*. The WEAG have recommended significant and large-scale reform of the welfare system.
6. Underpinning all the WEAG's recommendations is the need to rebalance the social contract that the welfare system is based on. This would mean enabling the welfare system to serve its most basic functions and to move beyond being a 'safety net' to enabling 'whakamana tāngata' – restoring people's dignity.

7. However, further modelling work is required on the WEAG's proposals and to develop future-proofed policies to address income adequacy. It is also important that this work includes balancing wellbeing, financial incentives to work, fiscal affordability, and potential risks of unintended consequences that could undermine the goals of these reforms, particularly through interactions with other government systems.
8. This Government has already made progress to overhaul the welfare system that aligns with the WEAG's recommendations.
9. Any wider systematic change will require a 3 to 5 year work programme and is likely to take upwards of 10 years to achieve and embed.
10. Moving forward, I propose an approach that involves two strands of work:
  - 10.1. immediate action and policy development in three priority areas where changes can be made quickly
  - 10.2. a more comprehensive programme of work to deliver long-term changes to fulfil the Government's vision to overhaul the welfare system.
11. The three priority areas of work are:
  - 11.1. Addressing financial support with a focus on child wellbeing: taking further steps to ensure that individuals and families have sufficient income to meet their needs and support their wellbeing.
  - 11.2. Supporting people who are able to be earning, learning, caring or volunteering: strengthening our focus on supporting people to achieve meaningful and sustainable employment, while also recognising the value of unpaid work, such as caring for children and other family members and community-based volunteering.
  - 11.3. Improving access to affordable housing: recognising that housing is a key determinant of a person's ability to engage with the labour market, their security, financial and social resilience and their mental wellbeing; and proposing a strengthened focus on increasing the availability of safe, secure and affordable housing.

## **Part I: Overview of the Welfare Expert Advisory Group's (WEAG) report and their recommendations.**

### *Background*

12. As part of the Confidence and Supply Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand, this Government has made the commitment to "overhaul the welfare system, ensure access to entitlements, remove excessive sanctions and review Working For Families so that everyone has a standard of living and income that enables them to live in dignity and participate in their communities, and lifts children and their families out of poverty".

13. In May 2018 the WEAG was established to provide the Government with advice on the overhaul of the welfare system as part of this commitment [SWC-18-MIN-0050].
14. The Terms of Reference for the WEAG outlined the Government's vision for a welfare system that ensures people have an adequate income and standard of living, are treated with respect and can live in dignity and are able to participate meaningfully in their communities.
15. The WEAG was made up of 11 members representing a diverse range of backgrounds, expertise and views. Their skills and expertise included disability, young people, advocacy in the welfare system, employment, Māori, Pacific, economics, health, business and research and analysis.
16. In October 2018, the WEAG provided the Government with an interim report [SWC-18-MIN-0154]. This provided an early signal of its direction of travel. Their final advice is well-aligned with the key themes of their interim report.

*The WEAG has concluded its work and produced a final report*

17. In February 2019, the WEAG provided me with its final advice in their report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*. The WEAG have recommended significant and large-scale reform of the welfare system.
18. The WEAG report is substantial, and covers a considerable breadth and depth of research, insights and advice. In total, the report outlines 42 key recommendations and over 100 detailed recommendations.
19. It includes valuable insights from nearly 3,000 New Zealanders who were involved during the consultation process.
20. It is notable that given the group's diverse skills, experiences and backgrounds they were able to achieve consensus for all 42 key recommendations.
21. Cabinet agreed that the WEAG would operate until 28 February 2019, and that any decisions on extending it beyond that time would be made in March 2019 following consideration of its advice.
22. I do not intend to extend the operation of the WEAG. Further work will be led by officials from the Ministry of Social Development (MSD) and other agencies. Officials will be able to engage independent experts, potentially former WEAG members, to provide advice if required.

*The WEAG report provides a wide range of feedback on New Zealand's welfare system*

23. Underpinning all the WEAG's recommendations is the need to rebalance the social contract that the welfare system is based on. This would mean enabling the welfare system to serve its most basic functions and to move beyond being a 'safety net' to enabling 'whakamana tāngata' – restoring dignity to people so they can participate meaningfully with their families and communities.
  - 23.1. The WEAG report and recommendations suggest overarching governance changes to the welfare system through the purpose, principles and values

underpinning the welfare system to ensure these reflect whakamana tāngata. This provides an overarching framework for the consideration of the welfare overhaul.

- 23.2. At a service delivery level this would require a mutual obligations framework where the welfare system provides income support sufficient for an adequate standard of living, employment support and treats people receiving this support with respect, and in return people receiving this support are expected to take up opportunities to participate meaningfully with their families and communities.
- 23.3. Income adequacy is one of the pivotal parts of the WEAG report. Evidence provided in the WEAG report reflects that adequate income is an important part of wellbeing. Preliminary analysis provided in the WEAG report suggests that there are significant deficits between current incomes of people receiving benefits and tax credits and low-wage workers and the spending needed to meet what the WEAG has defined as “core or basic costs”.
- 23.4. It was also highlighted in the WEAG report that income support from the welfare system, including increasing main benefit levels, should not be considered in silo, but should be viewed alongside addressing poverty and hardship, maintaining financial incentives for work, fiscal sustainability and alignment with other factors and systems, such as housing and tax. It should also be noted that based on the analysis of the WEAG, the changes to income support proposed in the report would lift many adults and children out of poverty, but other changes would be required to further reduce hardship.
- 23.5. Housing was also found to be a key area which has a significant impact on those on low incomes, both in terms of income availability and overall wellbeing. Immediate further work was recommended around housing affordability and accessibility.
- 23.6. The WEAG report has a strong focus on employment and indicates that the welfare system could do more to support people to get back into paid employment as part of extending beyond the basic ‘safety net’ function. The report also noted that spending on active labour market programmes in New Zealand is low compared with spending in other OECD countries.
24. The WEAG report highlights key populations that the welfare system is failing to appropriately support.
  - 24.1. The WEAG report highlights that the welfare system has not delivered well for Māori in particular. Given that Māori are disproportionately represented in the welfare system, a system that better promotes wellbeing would make a bigger difference to the Māori population.
  - 24.2. The welfare system was found by the report to not be keeping up with changing structures of families and arrangements for the care of children. The WEAG report highlighted this as an area of concern, particularly for sole parents. It emphasised the need to have a child-centred welfare system.

- 24.3. The WEAG report states that over half of the proportion of working age people receiving a main benefit have a health condition or a disability or care for someone with a health condition or a disability. The report suggests that there are inequities in the provision of financial and other supports and services across the social sector for people with health conditions or disabilities and carers of people with health conditions or disabilities that need to be addressed.
- 24.4. The WEAG report recommends improving supports and services so that individuals are fully supported to best achieve positive re-integration when released from prison. Achieving this will require cross-agency work.

## **Part II: Government's progress on the overhaul of the welfare system and overall support for the WEAG recommendations to inform future work**

25. New Zealand's welfare system has undergone significant change over time. However it has become clear that it does not always meet the needs of those it was designed to support. Many of the changes, particularly in recent decades, have had far reaching consequences on users of the welfare system, with benefit receipt being associated with stigma and isolation. There has also been inadequate investment in the welfare system, particularly around active labour market policies and income support.
26. This Government's vision is for a welfare system that ensures people have an adequate income and standard of living, are treated with respect, can live in dignity and are able to participate meaningfully in their communities. A priority for this Government is ensuring everyone who is able is earning, learning, caring or volunteering.
27. We have already started making changes to overhaul the welfare system in line with this vision. The WEAG's recommendations align with this direction of travel and in principle I support the findings of the report. I note that further work is required and the Government must balance achieving its objectives for improving wellbeing against fiscal affordability, and managing any risks of wider unintended consequences.
28. Moving forward, the WEAG's recommendations will contribute to ongoing work to overhaul the welfare system.
29. The rest of this paper outlines changes that are already being made by the Government that are consistent with the direction indicated in the WEAG report, the next steps for a long term programme of work and the areas where further immediate policy work and action will be focused.

### ***This Government has already made changes that address some of the recommendations of the WEAG***

30. To start the overhaul of the welfare system, we have already taken steps to make sure our welfare system is fairer, more accessible and maximises the potential of everyone who uses it. Many of the changes made by this Government address concerns and recommendations outlined in the WEAG report.

### *The Families Package*

31. This Government introduced the Families Package to provide additional support for low- and middle-income families. This is an important step towards addressing the concerns raised around income adequacy.
  - 31.1. Through the Families Package we have improved Working for Families, introduced a Best Start payment to help with the costs of children in their early years, introduced a Winter Energy Payment to assist with heating costs over winter, extended paid parental leave, increased Accommodation Supplement and increased the rate of Orphan's Benefit, Unsupported Child's Benefit and Foster Care Allowance.
  - 31.2. These changes will improve incomes for 384,000 families by an average of \$75 per week and will lift 64,000 children out of poverty by 2021.
  - 31.3. The Winter Energy Payment is particularly notable in its impact and scale and has been well received by people on a benefit and older New Zealanders who may struggle with higher energy bills over the winter. It has the largest eligible population for financial support within the benefit system. The payment provides extra financial assistance in the winter months to everyone who is on a main benefit, Superannuation or Veteran's Pension in recognition of the difficulty in meeting additional heating costs over winter for those on fixed and low incomes.

### *Improving service culture at Work and Income*

32. This Government has made sure that MSD has put people back at the centre of what they do, and we will continue with this work.
33. As is discussed in the WEAG report, the perception of MSD may have been preventing some people from applying for or seeking further assistance when they are in need. Based on feedback from those interacting with the system, the WEAG reflected that the conditionality of the system and benefit sanctions were described as disempowering, diminishing trust, creating anger and resentment and could be contributing to toxic stress.
34. There have been major shifts in the service culture at MSD to improve people's experience when they interact with the welfare system in order to address this and ensure people are treated with respect and have their dignity upheld.
  - 34.1. A client commitment charter has been introduced, which is visible at all service centres, outlining the expectations of Work and Income to reflect feedback from clients about how they want to be treated.
  - 34.2. Physical changes are being made to Work and Income service centres across New Zealand to make them warmer and friendlier environments. This includes having child-friendly areas, access to a water cooler, self-check-in service for clients and displaying local community art. The changes are about creating a more welcoming atmosphere for clients so they feel comfortable to talk about

their situation and they are able to get support and help into training and upskilling or employment.

- 34.3. Through the Better Letters work programme, communications to MSD clients are being improved to ensure they are warm, clear and easy to understand.
35. MSD has also taken steps to ensure benefit recipients are treated with respect in all their interactions with the system and have a better experience. They have developed a new strategic direction 'Te Pae Tawhiti – Our Future'. This is a bold and aspirational framework which reflects a genuine commitment to do things differently and make a bigger difference for all New Zealanders.
36. MSD is also developing Te Pae Tata, a kaupapa Māori strategy and action plan – in consultation with Māori and iwi groups. The WEAG has endorsed this work and recommended that it should continue.
37. In line with this Government's priorities to improve wellbeing for New Zealanders, I have focused on making sure everyone is getting their full entitlements so they have the support they need to work toward better long-term outcomes.
  - 37.1. An online eligibility guide has been developed which has been available since June 2018. This can be accessed from any mobile device or on the web to make it easier for people to see and access their full entitlements.
  - 37.2. MSD has been proactively contacting clients who are likely to be eligible for Temporary Additional Support and those with a section 192 (former section 70A) sanction applied to ensure they are receiving their full entitlements.
  - 37.3. Barriers to accessing hardship supports are being reduced by simplifying the application process and enabling applications for some payments to be made over the phone.
38. Ensuring access to full entitlements and increased financial support is likely to have positive impacts in other areas, for example the WEAG report outlines the expectation that it could reduce pressure on social services, as well as create positive long-term savings for government.

#### *Cross-government interactions*

39. The WEAG recommendations to improve capability in the community sector are in line with the work I have commissioned from the Social Wellbeing Board which will explore NGO contracting and relationships. This is a cross-government work programme to align contracting from a range of departments and agencies. The Social Investment Agency is also working with community services to develop more innovative solutions in the community sector.
40. This Government is also undertaking work in the health sector that aligns with the recommendations of the WEAG report. There are opportunities to improve outcomes for people with health conditions or disabilities and carers on low incomes following on from the work of other reviews, particularly:

- 40.1. the Government's response to *He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction* (ongoing)
  - 40.2. the OECD review of mental health and work in New Zealand (completed)
  - 40.3. the Review of New Zealand's Health and Disability System (ongoing).
41. There is work underway to improve the response and support to people exiting the justice system.
- 41.1. MSD is currently running a trial 'Supporting Offenders into Employment', which provides one-on-one support for people coming out of prison to support them with benefit receipt and finding employment. As outlined by the WEAG, access to stable housing, income support and employment opportunities can improve life outcomes and reduce re-offending.
  - 41.2. There is also potential alignment with the Minister of Justice's work on the Justice System, in particular through Te Uepū Hāpai i te Ora (the Safe and Effective Justice Advisory Group).

***The WEAG report provides a framework for long term work to continue the overhaul of the welfare system***

- 42. The proposed direction of travel outlined in the WEAG report is well-aligned with this Government's vision and progress to date for the overhaul of the welfare system and, accordingly, I generally support this direction of travel.
- 43. I will be drawing on the recommendations and findings of the WEAG report to inform ongoing work to continue the overhaul of the welfare system. The purpose, principles and values recommended by the WEAG report in particular will provide an essential starting point for a longer term work programme.
- 44. It is important to acknowledge that the welfare system is complex and changes can carry significant costs. The WEAG report highlighted the complexity of the current welfare system. The system itself often creates administrative burdens for users and staff, impacting time, resources and energy for all those involved.
- 45. There has also been a range of changes over the last few decades which have added layers of complexity or additional requirements for service users. An essential element of welfare reform will be ensuring it is more user-friendly and accessible.
- 46. There are also many interfaces with other portfolios reflecting that what occurs in other parts of the social sector influences who comes into the welfare system and the outcomes for individuals and families supported by the welfare system.
- 47. Given the scale of the changes recommended by the WEAG report – from the foundations of the social security legislative framework to how services are delivered at the frontline – a considerable amount of work is required to understand the policy, legislative, operational, financial and logistical implications. There will also be major system upgrades at MSD required to implement changes at the scale proposed by the WEAG and operational changes at the frontline.



48. The WEAG report makes it clear that this work is pressing. However, given the scale of the work programme, it will be necessary to consider how to phase the reforms. Many areas will require considerable policy development, consultation, legislative development, fiscal commitments and capacity building.
49. The wider systematic change suggested in the report will require a 3 to 5 year work programme and are likely to take upwards of 10 years to achieve and embed.
50. However there are opportunities for more immediate action and policy development which can be prioritised in order to more quickly address some of the recommendations of the WEAG report.
51. As outlined above, this Government has already made a number of changes as part of the welfare overhaul that address the recommendations in the WEAG report. The continuation of this work and the resultant impacts are an essential step in improving the welfare system.
52. In addition to what this Government has already achieved, I propose an approach that involves two strands of work going forward:
  - 52.1. Immediate action and policy development where changes can be made quickly to address some of the recommendations of the WEAG report. Three priority areas have been established reflecting areas where we can make a significant difference in a shorter timeframe for people interacting with the welfare system.
  - 52.2. A more comprehensive programme of work to deliver long-term changes to work towards a system which delivers on the Government's vision for welfare. The proposals for larger change recommended by the WEAG would be the most significant reform of our welfare system in three decades, and would have major implications for the operation of MSD and other government agencies. It is important to thoroughly examine these proposals and determine the best programme for large scale change. This needs to include consideration of how to mitigate risks associated with any reform programme.
53. An important part of the comprehensive work programme will be a review of the principles and purpose of the Social Security Act 2018 in response to the recommendations in the WEAG report.
54. I will use the Social Wellbeing Cabinet Committee as the main forum to discuss progress on the welfare overhaul and seek feedback from Ministerial colleagues, in line with part of recommendation 3 from the WEAG report.

**Part III: There are three priority areas where I, alongside my colleagues, will be taking immediate action to address the recommendations in the WEAG report**

***Priority area 1: Addressing financial support with a focus on child wellbeing***

55. The WEAG report showed that many individuals and families receiving benefits may not have enough income to meet basic living costs or participate in their communities. This not only has considerable impacts on their daily lives, but also has

wider ramifications in other areas such as education, health and economic productivity.

56. This Government has already shown its commitment to improving the wellbeing of low- and middle-income families through our Families Package as discussed above. This package of additional financial supports gave people more assistance for accommodation, heating and the costs of raising children. The package is already having a positive impact however it will take more time for the impacts to be fully realised for families and to be visible in child poverty figures due to time lags in the reporting.
57. The WEAG report outlines three main objectives for the welfare system: reducing poverty, ensuring there are incentives to work and fiscal sustainability for the government. The Government will need to balance complex interactions between these three factors when considering changes to income support settings.
58. The Government accepts the WEAG's view that the current levels of financial support through the welfare system are inadequate, and acknowledges its work on levels of income adequacy. However, a longer term work programme and ongoing investment will be required to consider how to address income adequacy due to the persistent underinvestment in the welfare system over many years.
59. Of particular importance will be addressing concerns around income adequacy for disabled people and people with long-term health conditions. The welfare system plays a significant role in supporting those with limited or no work capacity. Following the outcomes of work programmes and reviews currently underway as referenced earlier, this will be an area for further cross-government work.
60. I will be focusing immediately on a work programme to improve financial support across three areas: reviewing sanctions that impact children, addressing debt accumulation and addressing income adequacy over a period of time.

#### *Reviewing key sanctions to improve child wellbeing*

61. A key principle established in the WEAG report is the importance of the child in the welfare system. This is a shared value held by this Government as we strive to make New Zealand the best place to raise a child and the best place to be a child.
62. Child wellbeing, including the reduction of child poverty, is a major priority for the Government. The Government passed Child Poverty Reduction legislation to encourage a focus on child poverty reduction, and child wellbeing more generally. Officials are also currently developing the first Child and Youth Wellbeing Strategy to set the direction for how to improve the wellbeing of children and young people.
63. Recent research has highlighted that policies that reduce income through sanctions are associated with negative child behavioural and development outcomes. This effect is most significant in early childhood. This is particularly important as we know the first 1,000 days of a child's life are critical for their long-term development.

64. Child wellbeing is intricately linked with parenting. This Government wants to ensure parents, and other caregivers, have the support they need to provide for their child's wellbeing and the capacity and flexibility to provide the best care possible.
65. The value of parenting is also often overlooked, and this Government is committed to ensuring parents and caregivers have the resources and ability to provide the best possible care for their children.
66. This Government will take immediate action to review key sanctions and obligations that have negative impacts on children, and ensure that the welfare system does not deprioritise or devalue the importance of raising children. Further discussion on the use of other sanctions in the welfare system is outlined in Priority area 2 below.
  - 66.1. I am currently progressing a Budget 2019 proposal that would repeal the sanction for not naming the other parent (former section 70A, now section 192), which partially addresses recommendation 11. This sanction places undue burden on parents often already in hardship in an attempt to seek accountability from the other parent and encourage applications for child support, however there is insufficient evidence that this has been effective. Recent research from MSD found that these benefit reductions are not in the best interest of the children affected, and their removal could improve outcomes [*This paragraph is Budget Sensitive*].
  - 66.2. I will also be pursuing consideration of the removal of the Subsequent Child Policy which partially addresses recommendation 11. This policy currently places an obligation on parents to return to work earlier (potentially from the subsequent child's first birthday) if they have an additional child while receiving a benefit.
67. This will be in line with reviewing Child Support pass-on and providing better employment support for young people, including young parents, as outlined in Priority 2, while continuing to care for their children.

#### *Improving financial assistance*

68. I also acknowledge that the income levels provided by the welfare system in general need further consideration. We want to ensure individuals and families have sufficient income to meet their needs and support their wellbeing. This requires both consideration of income support provided through the welfare system, as well as better supporting people into sustainable employment which plays an important role, for those who are able, in improving financial and overall wellbeing.
69. The WEAG's recommendations are in line with this Government's commitment to improving the wellbeing of New Zealanders.
70. The Government accepts the WEAG's finding that current levels of financial support provided through the benefit system are too low and the WEAG has provided broad-ranging evidence to demonstrate this.

71. However the full proposed package by the WEAG cannot be delivered in a single budget, and is not immediately feasible within current fiscal and operational parameters.
72. This paper proposes further work to address this pressure by making some immediate changes and considering further advice on a range of settings to improve overall financial support available to families.
73. The WEAG has also undertaken some work to establish what a sufficient level of financial support might look like. The work undertaken by the WEAG looking at example budgets is an important first step toward establishing what adequate levels of benefits might be, reflecting the values of the collective membership of the WEAG.
74. However, further modelling work is required on the WEAG's income support setting proposals, and I propose further work to develop future-proofed policies to address income adequacy. It is important that this work weighs the impacts on financial incentives to work, as discussed in the WEAG report, fiscal affordability, and risks of unintended consequences that would undermine the goals of these reforms, particularly through interactions with other government systems.
75. A key recommendation from the WEAG is an increase of between 12 and 47 percent to main benefit rates, as well as changes to abatement thresholds and benefit indexation. The package of income supports proposed by the WEAG report in recommendations 19 to 24 is substantial. This reflects an ongoing lack of investment towards income support over many decades.
76. I am not proposing an immediate one-off increase to main benefit rates in Budget 2019. However, this Government will be increasing the income available to individuals and families through a range of changes including the income support package outlined below which will have ongoing positive effects, as well as addressing housing costs and shortages and providing better employment services to support better long-term outcomes for families.
77. This Government will review financial supports and payments to better support the wellbeing of individuals and families.
  - 77.1. In response to issues raised by the WEAG around income support I will be considering further advice on income adequacy and will seek Cabinet decisions on a series of measures to address this over the next four years.
  - 77.2. I am currently pursuing an income support budget package that is aligned with the direction of travel of the WEAG. As well as the proposed repeal of section 192 (former section 70a) of the Social Security Act 2018 described above, the income support package:
    - Indexes main benefit rates to average wage increases in line with recommendation 21. This will provide additional financial support each year for main beneficiaries. This will deliver a small increase in main benefit levels every year and prevent the continuation of increasing inequity between working and non-working New Zealanders. For example by April 2023, the Sole Parent Support benefit is estimated to increase by

almost \$15 per week as a result of this policy [*This paragraph is Budget Sensitive*].

- Increases benefit abatement thresholds in line with planned increases to minimum wage over the next four years. This will allow individuals and families who are receiving additional income, for example through part-time or casual paid employment, to continue to work the same number of hours before their benefit is reduced. This policy may also provide a better transition into employment for those who may not yet be ready for fulltime work. [*This paragraph is Budget Sensitive*].

77.3. In line with this work on income support and in response to recommendation 23, I also propose we direct MSD, the Treasury and Inland Revenue to work together on areas of common interest outlined in the report around tax credit settings to provide further advice.

#### *Reducing the generation of debt*

78. Recommendations 14 to 16 in the WEAG report respond to concerns raised about the impact of debt on individuals and families. Debt not only reduces the amount of financial flexibility households have, it also creates considerable long-term financial stress.
79. Key sources of debt build up for people interacting with MSD are overpayments and recoverable assistance.
- 79.1. Overpayments are often the result of the complexity and inflexibility within the welfare system, such as from interactions between additional income and benefit payments.
- 79.2. MSD's range of hardship assistance includes several grants and payments which are, or can be, recoverable. While intending to support families in the present to address their immediate and often pressing needs, this does often create a burden in the longer term.
80. The WEAG report highlights how the generation of debt through MSD, as well as other government agencies, has contributed to an erosion in trust for many people interacting with these services.
81. The burden of debt was found by the WEAG report to be having a considerable impact on the wellbeing of families due to the persistence of ongoing stress, day to day financial difficulties and diminishing relationships with government agencies.
82. This Government has already started to address communities concerns around debt, particularly from predatory lenders for potentially at-risk families. We will be amending the Credit Contract and Consumer Finance Act to provide better protection for families from debt spirals, irresponsible lending, and harmful mobile trading practices.
83. MSD is already focusing on ways to minimise debt creation and ensure debt repayments are sustainable as outlined in recommendation 14. This work will

continue to ensure fewer clients are going into debt, and that any debt created is manageable.

84. This Government will continue to work to address the impact of debt on families.

84.1. In response to the WEAG report I intend to review current regulations and practices around benefit debt at MSD. This will include the following focus areas:

- A prevention-based approach in line with recommendation 14 to look at steps MSD can continue to take to reduce the creation of debt for clients.
- Consideration around recommendation 15 of the WEAG report, which suggests aligning MSD practice and policy with Inland Revenue's. A particularly notable difference is the ability for Inland Revenue under sections 177-177CA of the Tax Administration Act 1994 to write-off some debt if recovery is inefficient or when a client requests and can prove serious hardship. That is, the recovery of debt or instalment payments would cause serious financial difficulties such that the person could not meet minimum living costs or medical costs. This is something which MSD currently cannot do.

84.2. I propose continuing to work with Ministers as they respond to the recommendations of the Tax Working Group to address recommendation 16 of the WEAG report around having a cross-Government approach to managing debt to government agencies. The WEAG's recommendations align well with the recommendations in the Tax Working Group report to create consistency, coherency and more equitable outcomes in the treatment of government debt through a single entity across agencies.

***Priority area 2: Supporting people who are able to be earning, learning, caring or volunteering***

85. The WEAG report highlighted not only the benefits of meaningful and sustainable employment, but also the value of unpaid work. Despite caring being essential to raising children, looking after older people, and supporting those who may require ongoing assistance, it is often undervalued. This Government has already stated its commitment to ensuring all those who are able are earning, learning, caring or volunteering, and this is in line with the recommendations of the WEAG report.

86. I agree with the findings of the WEAG report that the current employment support system is not as well placed as it could be to help people into work now or in the future. As is outlined in the report, New Zealand's active labour market spending, as a proportion of Gross Domestic Product, has been declining steadily since the early 1990s.

87. Ensuring the best possible long-term outcomes for individuals and families is paramount. For those who are able, finding a job or career that is sustainable, meaningful and aligns with their individual circumstances plays a major role in improving wellbeing.

*Establishing better employment services through the Ministry of Social Development*

88. MSD has a significant role to play in ensuring people who are unemployed or have been out of the labour market are ready for work and are supported to find sustainable, meaningful employment.
89. A critical part of the welfare system is ensuring there are the right incentives, supports and expectations to encourage participation in sustainable and meaningful employment for those who are able. This may be particularly relevant for young people who are unsure of their next steps or potential career progression.
90. The WEAG report described the current systems approach to this as overly punitive with a heavily reliance on the use of financial sanctions to drive certain behaviours and outcomes.
91. Evidence from the United States and the United Kingdom suggests that a very harsh sanctions regime can have adverse effects that drive people away from, rather than closer to, employment. Studies of regimes less severe than New Zealand's show that work-related sanctions can be effective in encouraging movement from benefits to work.
92. In line with this evidence, we will review the sanctions suggested by the WEAG for removal, particularly those with an impact on children as outlined above. However, at this stage and in line with the WEAG's recommendations, we will not be removing all work-related obligations and sanctions.
93. In addition to the presence of work-related obligations and expectations, it is also important the welfare system provides support for pathways into work or training for those who are able. The WEAG report highlighted the reduction in resources at MSD focused on employment support. Active labour market policies, support towards upskilling, skill matching and other employment supports have all been under-resourced in recent years. For example, there has been a steady decline in proactive engagement from employment-focused case managers, who are dedicated to supporting people to enter and remain in work, since 2014.
94. Under the previous Government, there was a Better Public Service target to reduce long-term welfare dependence, however this was measured by a reduction in the number of people on a benefit and accumulated actuarial release of welfare liability. This reflects the findings of the WEAG that there was previously a prime focus on reducing benefit numbers, rather than job suitability and sustainability for people.
95. This Government has already signalled a shift away from this approach by removing the Better Public Service targets, and focusing on how to provide the right opportunities and support for people who are able in the welfare system to find sustainable and meaningful employment. Moving forward, this will also include consideration for a more individualised system based on trust, mutual obligations and responding to individual situations, as outlined by the WEAG report. This Government will take steps to ensure MSD provides more proactive employment services and individualised support to achieve better long-term outcomes for clients.

- 95.1. I am currently progressing a Budget 2019 proposal to increase resourcing for frontline employment-focused case managers at Work and Income, which is an essential basis for further work as proposed under recommendation 35 of the WEAG report. I would also note that building up a work force to provide better employment support would require longer term planning. *[This paragraph is Budget Sensitive and will be redacted in a proactive release].*
- 95.2. I will be seeking further advice on how MSD can provide better and more proactive employment and work readiness support for those who are able to ensure the best outcomes for our clients.

### *Creating more responsive labour market policies*

96. The changing nature of work means that it is becoming more important for government to provide support for those impacted by a significant labour market disruption. This is particularly true for groups of people who are more precariously placed in the labour market, such as those in increasingly automated industries, or who are re-entering employment such as second-time learners, carers, disabled people or those with health conditions.
97. The WEAG report highlights New Zealand's relatively low support for displaced workers. This is inadequate and needs to be reviewed.
98. Mid-career and older workers who lose their jobs or people who have been out of the labour force caring for others can find it difficult to get sustainable, meaningful employment. Access to high-quality employment support and removing barriers to re-employment are required to address the skills mismatch.
99. Likewise the WEAG report emphasises the need for a comprehensive approach to supporting suitable employment for disabled people, people with health conditions and carers who can work. This includes access to evidence-based integrated employment and health support and greater support for part-time work.
100. An important part of removing barriers to re-employment is upskilling and training. In order to better support our workforce, we need to ensure there is appropriate and accessible training and education available. This Government has already reflected its commitment to improving educational outcomes through our fee-free policy and increasing Student Allowances, reducing some financial barriers to study.
101. This Government will commit to further work on active labour market policies and initiatives.
- 101.1. In response to the WEAG's recommendations on employment there has been agreement by the Labour Market Ministers group that MSD, the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Education (MOE) will develop and report back with a proposed plan to implement better active labour market programmes to address recommendations 36 and 37.



### *Supporting young people toward better outcomes*

102. The WEAG report highlights the need for more coordinated and cohesive initiatives to support young people to achieve better outcomes. This is particularly important for Māori and Pacific due to the age structure of their populations which are heavily weighted towards youth.
103. In response to recommendation 39, this Government has already started work to improve employment supports for young people, especially those not in employment, education or training. He Poutama Rangatahi and Mana in Mahi, for example, were highlighted in the WEAG report as positive initiatives.
104. This Government will continue to expand programmes to support better outcomes for young people and ensure our youth services are fit for purpose.
  - 104.1. We will continue to expand Mana in Mahi to provide more young people with work preparation, mentoring and pastoral care [*This paragraph is Budget Sensitive and will be redacted in a proactive release*].
  - 104.2. In response to recommendation 38, I will also request that MSD build on the work of the Youth Service Review to consider how the WEAG recommendations related to youth could be implemented.

### *Valuing unpaid work*

105. Unpaid work, such as caring, parenting and volunteering, has benefits at multiple levels of society, for individuals, families, communities and New Zealand as a whole. Not only does it contribute to our economic sustainability, it also plays a major role in improving individual wellbeing and community cohesion. The WEAG report highlights the importance of acknowledging the value of this.
106. Supporting carers is an important theme in the WEAG Report. MSD is developing a new Carers' Strategy Action Plan in partnership with the Carers Alliance, as well as the Ministry of Health, MOE, MBIE and the Accident Compensation Corporation. The new Action Plan is underpinned by a wellbeing approach that ensures carer choice and sustainability of the care role.
107. Volunteering is an important way for people to actively participate in their communities. It is hugely important both in our local communities, for individual wellbeing and for our economy as a whole. For disabled people, people with health conditions or parents with young children, volunteering can be an important part of community involvement, particularly if they are unable to be in fulltime work. Volunteering can also be a way to develop important skillsets.
108. For parents and caregivers, I expect the changes around sanctions discussed above will not only improve child wellbeing, but will also have a positive impact on people's ability to undertake caring responsibilities as parents.
109. This Government will take steps to reflect the value of unpaid work for individuals, families and communities.

109.1. I will explore how the welfare system can support volunteering and community participation.

109.2. In line with recognising the value of parents, I also intend to look into child support pass-on which addresses recommendation 27. It is important to note that immediate change in this area is limited by the current systematic changes occurring at Inland Revenue.

### ***Priority area 3: Improving access to affordable housing***

110. The WEAG report highlighted the difficulties those on low incomes have in accessing affordable, good quality housing and how housing policy and affordability is crucial to the wellbeing of low and middle income families. In addition to the financial impacts of unaffordable housing, housing is a key determinant of a person's ability to engage with the labour market, their security, financial and social resilience and their stress and mental wellbeing.

111. This Government recognises housing is a significant cost for those on low incomes and that access to affordable housing is a priority. There is a critical shortage of affordable homes for low-income New Zealanders and this, along with urgently addressing homelessness, is a key focus for the Government.

112. In line with part of recommendation 29 to address homelessness, this Government has already put \$63.4 million towards maintaining and expanding Housing First in Budget 2018.

113. The Government has also taken measures to address the quality of New Zealand's housing stock in line with recommendations from the WEAG report, although many of these initiatives will take time to be fully implemented.

113.1. Consultation recently closed on Residential Tenancies Act 1986 (RTA) reform proposals.

113.2. In December 2017 the Healthy Homes Guarantee Act 2017 amended the RTA to enable healthy homes standards to be set to make rental homes warmer and drier.

113.3. Housing New Zealand will require a minimum Homestar 6 certification for all new build homes contracted from 1 July 2019 and new build apartments contracted from 1 January 2021.

113.4. Warmer Kiwi Homes is a new four year government programme offering grants from 1 July 2018 to cover two thirds of the cost of ceiling and underfloor insulation and ground moisture barriers to low income home owners. Heating grants will be added from 1 July 2019.

113.5. Te Puni Kōkiri supports community-led housing repair projects aimed at whanau-owned homes in serious disrepair or without basic utilities.

114. The Minister of Housing and Urban Development has further considered WEAG's recommendations, particularly 29, 30 and 34, and intends to outline this Government's response to housing supply and affordability pressures in the papers

*Housing and Urban Development legislation:  
outstanding policy matters.*

### *Creating a fairer and more responsive system*

115. Our response to the national housing crisis has brought into stark relief the underlying challenges faced in delivering more affordable housing at pace. These challenges have built up over a long period of time and will require focused effort over the next decade to fully resolve.
116. This Government is committed to making progress over the next five years to address the underlying challenges faced in response to concerns in the housing sector.
  - 116.1. Our Urban Growth Agenda (UGA) is designed to increase the supply of homes and improve outcomes for New Zealanders by addressing the fundamentals of land supply, development capacity, and infrastructure provision. The UGA will deliver the medium to long-term changes needed to system settings to create a fairer housing market that responds to growth and brings down the high cost of urban land.
  - 116.2. We will also be consulting on an extensive package of legislative reforms to address long-standing problems in the building industry.

### **Consultation**

117. The following departments were consulted on this Cabinet paper: Department for Prime Minister & Cabinet; Inland Revenue; Ministry of Business, Innovation and Employment; Ministry of Housing and Urban Development; Ministry of Health; Oranga Tamariki—Ministry for Children; Ministry for Pacific Peoples; Ministry for Women; Ministry of Education; Department of Corrections; Ministry of Justice; Te Puni Kōkiri; the Treasury.
118. The WEAG has recommended far-reaching changes to the welfare system. Nearly 3,000 people provided their thoughts to the WEAG to support their deliberations.

### **Financial Implications**

119. The financial implications of the WEAG recommendations will require further work taking into account flow-on costs and behavioural responses. Currently only the proposed package of income adequacy recommendations have been costed.
120. The next phases of the welfare overhaul are likely to have significant fiscal implications, so we will need to consider phasing and priority relative to other investment areas as part of that response.
121. There are a range of Budget initiatives referenced in the report which, if successful, will have financial implications.

## **Legislative Implications**

122. There are no legislative implications arising directly from this Cabinet paper.
123. I anticipate legislation will be brought to the house within the next year and I will progress a bid accordingly for the 2020 legislative programme.
124. Further work is required on what legislative change will be needed, particularly in order to address the three priority areas once the proposed policy development has occurred.

## **Impact Analysis**

125. A Regulatory Impact Analysis (RIA) is not required at this time, as this Cabinet paper does not include a government regulatory proposal.

## **Human Rights**

126. The proposal is consistent with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990.
127. Officials will continue to have regard to consistency with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990 during the development of policy advice.

## **Gender Implications**

128. Women are disproportionately represented in some areas of the welfare system, for example, they make up 91.5 percent of Sole Parent Support recipients and 79 percent of the Supported Living Payment – Carer recipients. Women also experience higher levels of poverty.
129. Women also undertake the majority of caring work in New Zealand, both paid and unpaid. The WEAG report highlights key areas where caring has often been devalued through a focus on paid employment, particularly for parents.
130. Pathways to education and sustainable work can be difficult for mothers, particularly but not exclusively sole parents as well as carers of people with health conditions or disabilities.
131. Officials will consider opportunities for gender impact analysis during the development of policy advice.

## **Disability Perspective**

132. Disabled people and people with health conditions make-up approximately 53 per cent of all people in receipt of a benefit. Disabled people have double the national unemployment rate with 10.6 compared to the national rate of 4.5 percent, and often face a range of barriers that prevent full community participation.
133. The WEAG sought the views of disabled people during their work, and this informed their thinking and recommendations. Some members of the WEAG also had a lived

experience of disability and/or had a comprehensive understanding of issues facing disabled people and people with health conditions. I will ensure that the views of disabled people are sought appropriately as this programme of work progresses.

## **Publicity**

134. Subject to Cabinet agreement I intend to publish the WEAG report. At the time the WEAG' report is published, MSD will also publish a series of key evidence papers that were prepared to support the WEAG.
135. A press release announcing the release of the response and action areas from the Government will be issued.
136. It is likely that there will be significant public interest in the WEAG's proposals and Government's next steps to address the recommendations.
137. I will also consider a pre-Budget announcement to be made alongside the release of the report.

## **Proactive Release**

138. I intend to partially proactively release this paper alongside the WEAG report.
139. Information relating to Budget 2019 proposals will be withheld as appropriate.

## **Recommendations**

The Minister for Social Development recommends that the Committee:

*Part I: Overview of the Welfare Expert Advisory Group's report and their recommendations.*

1. **note** that the Welfare Expert Advisory Group has delivered its final advice "*Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*"
2. **note** that the report recommends significant change to the welfare system that will require careful consideration as well as balancing against other Government priorities and fiscal constraints
3. **note** that Cabinet agreed that decisions on any continuation of the Welfare Expert Advisory Group beyond February 2019 would be made by Cabinet in March 2019 following consideration of their advice
4. **agree** not to extend the Welfare Expert Advisory Group

*Part II: Government progress on the overhaul of the welfare system and support for the recommendations of the Welfare Expert Advisory Group to inform future work*

5. **note** the Government has already implemented a range of changes as part of the overhaul of the welfare system which address some of the advice in the Welfare Expert Advisory Group's report

6. **note** that there is significant alignment between Welfare Expert Advisory Group's overall approach and this Government's vision for welfare
7. **agree** to a phased approach to the next steps of the welfare overhaul due to the complexity of the welfare system, and to balance the need for fiscal prudence with improving wellbeing and other high priority Government objectives
8. **agree** that work proceed on a long term work programme for the next steps of the welfare overhaul
9. **invite** the Minister for Social Development to report back to the Social Wellbeing Cabinet Committee with a Cabinet paper later in 2019 with an update on the priority areas for action and policy development, as well as a long term comprehensive work programme

*Part III: Three priority areas of work and next steps in response to the WEAG report*

10. **agree** to undertake immediate work in priority areas to address the Welfare Expert Advisory Group report recommendations, while also considering longer term changes
11. **agree** that, in response to the recommendations of the Welfare Expert Advisory Group, the three priority areas are:
  - 11.1. Addressing financial support with a focus on child wellbeing
  - 11.2. Supporting people who are able to be earning, learning, caring and volunteering
  - 11.3. Improving access to affordable housing
12. **agree** to the proposed approach outlined in the paper to respond to the three priority areas
13. **note** that subsequent Cabinet papers outlining policy programmes as a result further work agreed to in the three priority areas will be put forward to Social Wellbeing Cabinet Committee in due course by the appropriate Ministers

*Publication of the report and supporting papers*

14. **agree** to publicly release the Welfare Expert Advisory Group's report along with a series of key evidence papers
15. **note** the Minister for Social Development intends to release this paper alongside the Welfare Expert Advisory Group report with the appropriate redactions
16. **note** the Minister for Social Development intends to seek agreement for a pre-Budget announcement alongside the release of Welfare Expert Advisory Group report.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development

## Appendix 1: Key recommendations

The Welfare Expert Advisory Group's 42 key recommendations are supplemented with detailed recommendations which can be found in the full report. Outlined below are the key recommendations.

### *Purpose, values and principles*

**RECOMMENDATION 1:** Amend the Social Security Act 2018 to state that anyone exercising power under the Act have regard to the following purpose and values.

The purpose of the welfare system is to whakamana tāngata and ensure a dignified life by:

- providing financial security and social security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work.

The welfare system is underpinned by Kia Piki Ake Te Mana Tangata, including kaupapa Māori values of:

- manaakitanga – caring with dignity and respect
- ōhanga – economics
- whanaungatanga – treasuring kinship ties and relationships
- kotahitanga – unity
- takatūtanga – preparedness
- kaitiakitanga – guardianship

**RECOMMENDATION 2:** Use the following principles to guide the design and operation of the welfare system.

- Be person-centred and wellbeing focused.
- Keep children paramount.
- Value whānau and families.
- Treat people with dignity, respect, compassion.
- Provide an income sufficient for an adequate standard of living.
- Provide full and correct entitlements.
- Deliver support that is easy to access, timely and appropriate.
- Provide an employment service that supports people into good and appropriate work
- Support provision of housing that is affordable, secure, of good quality and appropriate for the person (and their family or whānau).
- Promote mutual expectations.
- Aim for equitable outcomes.
- Build and maintain effective linkages with other parts of government.



- Be sustainable.

*Governance and performance*

**RECOMMENDATION 3:** Establish a cross-ministerial approach to implement and monitor the effectiveness of the implementation and impact on outcomes of the Welfare Expert Advisory Group’s recommendations (across welfare, health, housing, justice, education and employment) that is cognisant of responsibilities under Te Tiriti o Waitangi (the Treaty of Waitangi) and involves users of the welfare system.

**RECOMMENDATION 4:** Direct the Chief Executive of the Ministry of Social Development to design and implement a welfare system that will fulfil the new purpose and principles of the amended Social Security Act, is cognisant of responsibilities under Te Tiriti o Waitangi and involves users of the system.

**RECOMMENDATION 5:** Direct the Ministry of Social Development and Inland Revenue to publish yearly, whether as part of their Annual Reports or Statements of Intent, or as a standalone report, information on key outcomes for those interacting with the welfare system, including information about full and correct entitlements, take-up rates of payments, employment outcomes, the impact of employment supports and services, and after-tax and abatement earnings.

Measures should include:

- full and correct entitlement for all who are eligible by ethnicity, gender, location, health and disability conditions, and number and age of dependent children (0–17 years)
- take-up rates of payments by ethnicity, gender, location, and number and age of dependent children (0–17 years)
- employment outcomes by benefit type, ethnicity, gender, location, age, and duration off benefit (3, 6 and 12 months)
- impact of employment supports and services on outcomes by ethnicity, gender, location, health and disability conditions, and number and age of dependent children (0–17 years)
- after-tax and abatement earnings for those receiving financial support from Inland Revenue or the Ministry of Social Development by ethnicity, gender, location, health and disability conditions, and number and age of dependent children (0–17 years).

**RECOMMENDATION 6:** Embed the competencies required to achieve greater equity for Māori in the job descriptions, key performance indicators and performance reviews of Ministry of Social Development’s management and staff.

**RECOMMENDATION 7:** Include in the amended Social Security Act specific requirements for the Chief Executive of the Ministry of Social Development to be accountable to iwi (as recognised collectives) and to Māori (as individuals, whānau and communities) for achieving equitable wellbeing outcomes for Māori from the welfare system.

**RECOMMENDATION 8:** Direct the Ministry of Social Development to commit to building its cultural responsiveness to Pacific People, to achieve equitable outcomes for Pacific People engaging with the welfare system. Cultural responsiveness includes having an awareness of cultural obligations experienced by Pacific People around contributions for weddings, funerals and other critical cultural events and taking account of the nuances within diverse Pacific communities.

*Improving outcomes for Māori*

**RECOMMENDATION 9:** The Welfare Expert Advisory Group recommends, in addition to the recommendations elsewhere that will improve outcomes for Māori, the Government:

- supports the Ministry of Social Development to continue to shift towards whakamana tāngata – to build the mana of others and uplift them in a way that honours their dignity
- supports the Ministry of Social Development to continue to review and evaluate, with Māori, the services the Ministry delivers to ensure they are effective in improving outcomes for Māori
- works with Māori to consider other effective ways of delivering welfare services and funding that are informed by Te Ao Māori, including longer-term, whānau-centred, strengths-based initiatives.

*Rebalancing the social contract – improving the operation of the welfare system*

**Restoring trust**

**RECOMMENDATION 10:** Develop a mutual expectations framework to govern interactions between the Ministry of Social Development and those who interact with the welfare system.

**RECOMMENDATION 11:** Remove some obligations and sanctions (for example pre-benefit activities, warrants to arrest sanctions, social obligations, drug-testing sanctions, 52 week reapplication requirements, sanctions for not naming the other parent, the subsequent child work obligation, and the mandatory work ability assessment for people with health conditions or disability).

**RECOMMENDATION 12:** Improve outcomes by ensuring the public-facing, frontline service is consistent with the new purpose and principles through sufficient resourcing (for example, staffing, support and services), an appropriate performance framework, and complaints and disputes processes.

**RECOMMENDATION 13:** Assist recipients of Sole Parent Support to return to part-time work when their youngest child is 6 years old (subject to supports being available, such as good quality childcare) instead of the current 3 years. Support but not require all sole parents to return to work when their youngest child is under 6 years old.

### ***Reducing the generation of debt***

**RECOMMENDATION 14:** Continue to prioritise a reduction in outstanding benefit debt through sustainable repayments, and minimise the creation of overpayments, including reviewing recoverable hardship assistance and current practice, to be more consistent with whakamana tāngata.

**RECOMMENDATION 15:** Align the regulations and practice around benefit debt so that it is treated in substantially the same way as Inland Revenue treats taxpayer debt.

**RECOMMENDATION 16:** Instigate a cross-government approach to managing debt to government agencies.

### ***Minimising the small amount of fraud***

**RECOMMENDATION 17:** Endorse the Ministry of Social Development's three-tiered approach to responding to fraud allegation: intervene, facilitate and, as a last resort, investigate. Apply the principles of natural justice in all steps, and, if the outcome is disputed, permit a review independent of the Ministry of Social Development.

### ***Interface with the justice sector***

**RECOMMENDATION 18:** Enhance and improve the support for people exiting prisons, including increasing the Steps to Freedom grant, and ensuring that any person who leaves prison has appropriate identification and is engaged with specialised care and supportive housing initiatives. Move practices around prisoner integration out of the 'pilot' stage and draw on evaluation data to embed integrated support for these individuals.

### ***Income support***

#### ***Benefits, Working for Families and supplementary assistance***

The following recommended changes need to provide people on low incomes with significantly more than they currently receive (without disadvantaging others on low incomes). Recommendations 19 to 23 should be implemented urgently.

**RECOMMENDATION 19:** Adopt the following 10 principles to redesign the income support system.

- Income support is adequate for meaningful participation in the community, and this support is maintained over time.
- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.
- Main benefits cover a larger proportion of people's living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.

- Changes to income support reduce disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes these entitlements to the broader population.
- The income support system is easy to access and provides timely support, including to people transitioning in and out of the system.
- The income support system is as simple as possible balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.

**RECOMMENDATION 20:** Reform main benefits by:

- increasing main benefits by between 12% and 47% as set out in table 2, page 84 of the report
- increasing the abatement thresholds for:
  - Jobseeker Support to \$150 a week
  - Sole Parent Support to \$150 and \$250 a week
  - Supported Living Payment to \$150 and \$250 a week.

**RECOMMENDATION 21:** Fully index all income support payments and thresholds annually to movements in average wages or prices, whichever is the greater. Index Accommodation Supplement rates to movements in housing costs.

**RECOMMENDATION 22:** Consider introducing a Living Alone Payment that contributes to the additional costs of adults living alone (without another adult) on a low income.

**RECOMMENDATION 23:** Reform Working for Families and other tax credits by:

- increasing the Family Tax Credit to \$170 a week for the eldest child and to \$120 a week for subsequent children
- increasing the abatement threshold for the Family Tax Credit and changing the abatement rate to:
  - 10% on family annual incomes between \$48,000 and \$65,000
  - 15% on family annual incomes between \$65,000 and \$160,000
  - 50% on annual incomes in excess of \$160,000
- replacing the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit with a new Earned Income Tax Credit
- introducing an Earned Income Tax Credit of up to \$50 a week for people with and without children and with a couple-based income test
  - making the Best Start Tax Credit universal for all children aged under 3 years.

**RECOMMENDATION 24:** Reform supplementary assistance and hardship assistance so they are adequate, appropriately designed and easy to access.

**RECOMMENDATION 25:** Require the Ministry of Social Development to, within 2 years, complete work, including commissioning independent research and focus groups, to establish a minimum income standard for New Zealand (with 5-year reviews).

**RECOMMENDATION 26:** Increase, as soon as possible, overall income support to levels adequate for meaningful participation in the community, as defined by the minimum income standard (which reflects different family circumstances, for example, children, disabilities and regional area) and maintain this level of support through appropriate indexation.

### ***Passing on child support***

**RECOMMENDATION 27:** Pass on all child support collected to receiving carers, including for recipients of Unsupported Child's Benefit.

### ***Clarifying eligibility and relationship status***

**RECOMMENDATION 28:** Move income support settings over time to be more neutral on the impact of being in a relationship in the nature of marriage.

### ***Alleviating the housing conundrum***

Detailed recommendations for this section are listed on page **Error! Bookmark not defined..**

**RECOMMENDATION 29:** Urgently expand and accelerate government efforts to substantially increase public housing on an industrial scale and continue urgent efforts to end homelessness.

**RECOMMENDATION 30:** Increase the range of home ownership and tenure options for people on low and low–middle incomes.

**RECOMMENDATION 31:** Increase the capacity of third-sector community-based housing providers.

**RECOMMENDATION 32:** Develop and enact laws and regulations to ensure healthy homes and housing security, decent standards of housing quality, universal design, and accessibility.

**RECOMMENDATION 33:** Subsidise housing costs for people on low incomes (in addition to raising main benefit rates to provide an adequate income) and ensure the combination of changes to housing support and abatement rates make households better off.

**RECOMMENDATION 34:** Improve access to affordable, suitable housing support for people on low and low–middle incomes, including a range of affordable home-ownership products and papakāinga housing.

*Improving access to employment supports and work*

***Supporting working-age adults***

**RECOMMENDATION 35:** Establish an effective employment service of the Ministry of Social Development so it is better able to assist people to obtain and keep good, sustainable work.

**RECOMMENDATION 36:** Revamp active labour market, labour market, employment and training policies across government to make them more coherent and effective.

**RECOMMENDATION 37:** Strengthen Ministry of Social Development redundancy support policies to better support displaced workers.

***Supporting youth to engage in education, training or paid work***

**RECOMMENDATION 38:** Abolish, in the Youth Service, compulsory money management, and separate case management from youth mentoring so it is consistent with and has a positive youth development focus.

**RECOMMENDATION 39:** Use evidence-based approaches that support young people to be learning, earning and, where young people are parents, caring. These approaches need to build on the strengths of young people and provide a basis for their long-term engagement with the changing world of work.

*People with health conditions and disabilities and carers*

**RECOMMENDATION 40:** Improve the health and wellbeing of people with health conditions and disabilities, along with carers of people with health conditions and disabilities who interact with the welfare system by:

- providing financial support that is adequate to live a life with dignity and is equitable across the social sector
- implementing evidence-based approaches to support engagement in good, suitable work and the community where this is possible
- implementing strategies to prevent work-limiting health conditions and disabilities.

**RECOMMENDATION 41:** Include in the scope of the New Zealand Health and Disability System Review the relationship between the health and disability system and the accident compensation scheme and how the relationship between these and the welfare system could be changed to improve outcomes for people with health conditions and disabilities and carers.

## *Community*

**RECOMMENDATION 42:** Direct the Ministry of Social Development to develop the capacity and capability to engage with, promote and fund community organisations to provide wide-ranging opportunities for volunteers and people receiving benefits to be meaningfully engaged in their communities.