



02 OCT 2020

Tēnā koe

On 18 September, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *I was wanting to request information on a July 2019 report concerning the issue of volunteering and being eligible for state benefits and whether you could release a copy of the report to me. Specifically the report cited in this news article: www.rnz.co.nz/news/national/425029/cautious-approach-taken-to-avoid-beneficiary-volunteering-becoming-work-for-the-dole-scheme.*

I have enclosed the following two documents which were identified as being in scope of your request:

- REP/19/6/537 *Welfare Overhaul – Volunteering and the Welfare System*, dated 17 July 2019.
- REP/19/7/634 *Welfare Overhaul – Mutual expectations*, dated 18 July 2019.

Please note, the report *Welfare Overhaul – Mutual expectations* has been provided to be read in conjunction with the report *Welfare Overhaul – Volunteering and the Welfare System*, which the Ministry believes to be the report that was referenced in the abovementioned news article.

You will note that the names of some individuals are withheld under section 9(2)(a) of the Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

Some information within the report *Welfare Overhaul – Mutual expectations* is withheld under section 9(2)(f)(iv) of the Act, as it is currently under active consideration. The release of this information would be likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.

In the spirit of being helpful, you will note the report *Welfare Overhaul – Volunteering and the Welfare System* refers to a Cabinet paper *Welfare Overhaul Update on Progress and Long-term Plan*. This information is now publicly available and can be accessed on the Ministry's website at: www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/welfare-overhaul-update-on-progress-and-long-term-plan.html.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui



Polly Vowles
Manager
Welfare System and Income Support Policy



Report

Date: 17 July 2019

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development

Welfare Overhaul: Volunteering and the welfare system

Purpose of the report

- 1 This paper provides you with advice on volunteering and the welfare system.

Recommended actions

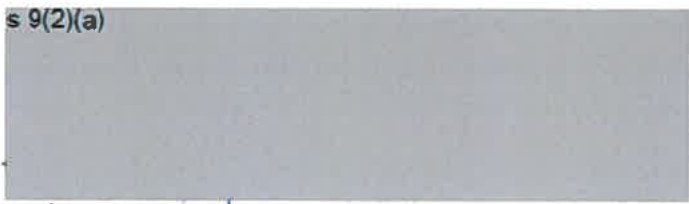
It is recommended that you:

- 1 **note** that volunteering is an essential part of New Zealand's social services
- 2 **note** that there are risks with formally linking benefit receipt to volunteering
- 3 **note** that the Ministry of Social Development provides some limited support for people receiving a benefit who volunteer or who are interested volunteering through:
 - 3.1 funding under the Employment and Work Readiness Assistance Programme for volunteering as a work readiness activity
 - 3.2 Activity in the Community, where participants remain on a benefit and receive an additional payment to cover participation costs in community projects
 - 3.3 flexible residency requirements under the *New Zealand Superannuation and Retirement Income Act 2001* for certain people, including those who undertake specific types of voluntary activity
- 4 **note** that the Ministry of Social Development's future strategic direction, *Te Pae Tawhiti*, provides a basis for supporting volunteering and community participation, particularly through the value of kotahitanga – partnering for greater impact
- 5 **agree** that volunteering should not be formally expected or required through benefit settings at this stage
- 6 **note** that you may want to discuss this paper and how government could further support volunteering more generally with the Minister for the Community and Voluntary Sector

Agree Disagree

7 **forward** this report to the Minister for the Community and Voluntary Sector.

s 9(2)(a)



Policy Manager
Policy

17/07/19.
Date

A handwritten signature in black ink, consisting of a large loop followed by a series of smaller strokes.

Hon Carmel Sepuloni
Minister for Social Development

28/7/19.
Date

Released under the Official Information Act

Background

- 2 The Welfare Expert Advisory Group (WEAG) recommended that the *Social Security Act 2018* be amended to identify the purpose of the welfare system as, among other things, ensuring a dignified life by supporting people to achieve their potential for learning, caring or volunteering.
- 3 This position was echoed in Cabinet's agreement to three priority areas of work for the overhaul of the welfare system, one of which was to support people who are able to be earning, learning, caring or volunteering (CAB-19-MIN-0170 refers).
- 4 The WEAG also recommended that a mutual expectations framework to govern interactions between the Ministry of Social Development (MSD) and those who interact with the welfare system be developed, within which they envisaged volunteering being a component. We are providing you with advice on mutual expectations (REP/19/7/634 refers), which should be read in conjunction with this report.

Volunteers and community organisations make an essential contribution to health, social services, sport, conservation and other areas

- 5 Volunteering can be defined in numerous ways, but generally it is considered to be unpaid work that brings benefits to any third party, undertaken of one's own free will, for the common good. In New Zealand many community services, cultural groups, sports clubs and other organisations would be unable to function without the support of volunteers.
- 6 New Zealanders tend to show strong commitment to volunteering, with Statistics NZ noting that around half of all New Zealanders volunteer either for an organisation or by helping a person from another household¹.
- 7 Volunteering is generally considered to be a way of strengthening community links, increasing self-confidence, learning new skills and developing knowledge in areas of interest. Volunteering can be a way to aid social connections for people who would otherwise find it difficult to participate in the paid labour market. There are also links between volunteering and broader wellbeing, particularly for some people with mental health conditions.

There are important cultural considerations when looking at volunteering

- 8 Volunteering for Māori is based often upon the notion of whanaunatanga (kinship) and fulfilling cultural obligations. It is not something being undertaken for personal gain, such as work experience.
- 9 Mahi aroha is a term often used, meaning unpaid activity performed out of sympathy and caring for others in accordance with the principles of tikanga to maintain mana and rangatiratanga, rather than for financial or personal reward².
- 10 Similarly, Pasifika have a wider conception of family than the traditional western view. It is thought that activities that benefit your family and community is work that will better your own prospects, ie that volunteering to support others is also helping yourself.
- 11 It is likely that there are many different cultures within New Zealand that hold similar views to Māori and Pasifika perspectives on volunteering. This is likely to result in

¹ Volunteering and donations by New Zealanders in 2016, Statistics New Zealand.

² *Mahi Aroha, Māori Perspectives on Volunteering and Cultural Obligations*, Office for the Community and Voluntary Sector, April 2007.

formal volunteering statistics underrepresenting the true contribution made by many communities.

There are risks with linking volunteering with benefit receipt

- 12 There are significant risks associated with formalising connections between volunteering and benefit receipt. Placing expectations or obligations on people who interact with the welfare system to volunteer can raise issues of exploitation and inequity that are at odds with the intended objectives of volunteering. It could also lead to organisations having to cope with reluctant volunteers or bearing the burden of compliance in confirming people are volunteering.
- 13 There are other risks with formally linking benefit receipt and volunteering, including:
 - displacement and substitution – firms ‘gaming’ the system and misusing voluntary labour to gain competitive advantages, placing volunteers in potentially exploitative positions
 - inadvertently adopting a ‘Work for the Dole’ scheme – these schemes internationally have mixed results, with some showing that firms taking on participants can develop a dependence on the free labour that the scheme provides. Participants can also feel locked in to the scheme, reducing the time that they spend job searching, as they perceive the placement to be equivalent with paid employment
 - sending negative signals to disabled people and people with health conditions – anecdotally, MSD has had reports of disabled people working in unpaid voluntary roles, that would typically have otherwise been paid. There is also the possibility that some disabled people and people with health conditions are seen as not being viable for paid roles, and that in turn employers do not need to put in a concerted effort to enable them to participate in paid employment.
- 14 There appears to be an enduring perception that volunteering is an effective pathway to employment, but research findings have indicated that it does not necessarily help people achieve better paid employment outcomes. Any increased focus on volunteering would need careful consideration to ensure there was not a negative impact on MSD’s priority of supporting people who are able into paid employment.
- 15 Some findings are that volunteering during unemployment can have a negative impact on the ability and willingness of people to seek work³. This could be due to volunteering leading to less available time to apply for work or because participants see the volunteering as work and are therefore less motivated to look for paid employment.
- 16 For these reasons, MSD would not recommend volunteering be formally expected or required through MSD’s benefit settings.
- 17 Further, we would not recommend that volunteering be an activity expected of people for whom work obligations apply, given the potential for clients to perceive a link between volunteering and their receipt of benefit payments. This aligns with advice you are receiving on mutual expectations (REP/19/7/634 refers).

MSD provides some support for people who volunteer or participate in their community in certain circumstances

- 18 The Social Security Act focuses on paid work as providing the best opportunity to achieve social and economic wellbeing, for people who are able to or have the potential to work. Voluntary work is not explicitly provided for in the purpose of principles of the Act and is specifically excluded for work obligations.
- 19 Voluntary work is identified under the Employment and Work Readiness Assistance Programme (EWRAP), however, as an acceptable work-readiness activity. This means

³ Links between Volunteering and Employability, Cambridge Policy Consultants, 2000.

that case managers can consider a client for voluntary work (within the parameters of the legislation), if voluntary work is deemed to be an appropriate way to move a person towards employment. Funding for actual and reasonable costs associated with voluntary work can be made available through the EWRAP. Uptake of this funding is low.

- 20 Activity in the Community (AIC) is an existing MSD employment assistance programme that broadly aligns with supporting volunteering. AIC sponsors are contracted by MSD to provide supervised participation placements for clients in a community project activity. Participants remain on benefit and receive an additional payment to cover participation costs. Placements tend to be used by disabled people facing specific barriers to entering the labour market (currently 91 percent of participants have a health condition or disability).
- 21 In 2007 the programme was shown to have a negative impact on time on benefit and on employment outcomes. This led to a tightening of eligibility criteria, which has impacted on participation numbers. Because of low levels of participation, there is no recent effectiveness data available.
- 22 MSD also supports volunteering for some groups of beneficiaries through flexible residency requirements for New Zealand Superannuation. Under the *New Zealand Superannuation and Retirement Income Act 2001*, certain people (including those who volunteer with Volunteer Service Aboard and missionaries) are allowed periods of absence from New Zealand without their eligibility for superannuation being impacted.

There is value in considering how government can further support volunteering

- 23 MSD's future strategic direction, *Te Pae Tawhiti*, provides a basis for supporting volunteering and community participation, particularly through the value of kotahitanga – partnering for greater impact. MSD has relationships (formal and informal) with numerous social services and community organisations across the country. Many of the community organisations that MSD partners with are likely to utilise some level of voluntary labour.
- 24 The benefits of volunteering give value to considering ways in which volunteering could be supported through MSD's operational model. As part of the current work underway within MSD on overhauling the welfare system, improvements to front line culture and processes will help ensure that MSD is not inadvertently preventing clients from volunteering when they wish to do so. Supporting volunteering within MSD, however, will also need to ensure MSD's focus on supporting people into paid employment is maintained.
- 25 Additionally, the review of MSD's employment services that is being undertaken within the welfare overhaul work will also give us an opportunity to ensure existing programmes and interventions are fit for purpose, including AIC and other EWRAP expenditure.
- 26 In the *Briefing to the Incoming Minister for the Community and Voluntary Sector in 2017*, the Department of Internal Affairs (DIA) noted that while more New Zealanders are volunteering, they are contributing fewer volunteer hours. This is likely due to time pressures on volunteers, the costs of volunteering and compliance requirements. Government has a role in supporting the community and voluntary sector to navigate those challenges.
- 27 You may want to discuss the issues raised in this paper and how agencies could further support the Government's broader goals for volunteering with the Minister for the Community and Voluntary Sector.

Next steps

- 28 Should you agree that benefit settings do not need to be amended to include volunteering, we do not anticipate providing you with any further advice on that issue

unless discussions with stakeholders after September 2019 suggest the advice in this report needs revising.

- 29 You may want to discuss this paper and how government could further support volunteering more generally with the Minister for the Community and Voluntary Sector. MSD will work alongside DIA to provide materials to support this discussion as required.

File ref: REP/19/6/537

Author: s 9(2)(a), Senior Policy Analyst, Policy

Responsible manager: s 9(2)(a) Policy Manager, Policy

Released under the Official Information Act



Report

Date: 18 July 2019

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development

Welfare Overhaul: Mutual expectations

Purpose of the report

- 1 To provide advice on rebalancing mutual expectations in the welfare system and confirming work-related obligations.
- 2 This report also provides some preliminary advice on the impact of removing the subsequent child rule.

Executive summary

- 3 Several changes are underway to overhaul the welfare system, such as improving the service culture of MSD and improving people's experience and trust of the welfare system.
- 4 In April 2019 the Government signalled that consideration would be given to a more individualised system based on trust, mutual obligations and responding to individual situations (CAB-19-SUB-0170 refers, paragraph 95).
- 5 The Ministry of Social Development (MSD) supports the principle of mutual expectations in the relationship between MSD and welfare recipients. We recognise the need to go further to clarify and improve our offer to people interacting with the welfare system. Significant work is already underway to improve trust in the welfare system, including publication of our *Client Commitment*, greater use of client survey data to inform practice, and our work programme to strengthen our service culture and the client experience.
- 6 *Te Pae Tawhiti* sets out our strategy to be a trusted and proactive organisation and *Te Pae Tata* sets out how we will realise our strategy for Māori. We also expect to gain further insights for improvement through the engagement plan and application of kaupapa Māori values in development of the welfare overhaul work programme (REP/19/6/563 refers).
- 7 To further strengthen expectations on MSD through the welfare overhaul, we will provide options for whether, and how, legislative obligations could be set out for MSD. We will provide you with a range of options as part of the work to review the purposes, principles and values of the *Social Security Act 2018* (the Act) (REP/19/6/563 refers).
- 8 Regarding expectations of people in receipt of main benefits, the Government has indicated it would not be removing all work-related obligations and sanctions (CAB-19-SUB-0170 refers). Evidence shows that employment is a key factor in improving people's long-term wellbeing and most people tell us they want to work.

- 9 We are seeking to confirm the strategic direction that employment should remain a key focus and outcome in an overhauled welfare system. We propose that the fundamental structure of the work obligations in the Act should be retained. People who are able to work should be obliged to prepare for, seek and take-up suitable employment.
- 10 Work obligations can vary for people in different situations and can involve work preparation, seeking part-time or full-time work. People can also be exempt or have work obligations deferred in a range of specific circumstances.
- 11 There are opportunities in the welfare overhaul work programme to consider how these work obligations and exemptions are working for people in different situations – by reviewing exemptions and deferral rules, and age settings relating to dependent children.
- 12 We propose for this reform to be considered as part of the medium to long-term work programme alongside the review of the purposes and principles of the Act, and incorporating kaupapa Māori values (REP/19/6/563 refers). The scope and options for reform will be informed by our working policy framework and the review of the purposes and principles of the Act.
- 13 Cabinet signalled that it would consider removing the rule where work obligations apply sooner for people who have a subsequent child while on benefit (the subsequent child rule, CAB-19-SUB-0170 refers). Your office sought advice on the implication of removing the subsequent child rule and we have provided some preliminary advice and costings in Appendix Three.
- 14 We will provide further advice on the implications of removing other obligations, including those identified in *Whakamana Tāngata*, such as pre-benefit activities and social obligations, prior to your meeting with the Prime Minister, Minister of Finance and Minister for Children on 6 August 2019.

Recommended actions

It is recommended that you:

- 1 **note** that in April 2019, alongside the release of *Whakamana Tāngata*, the Government indicated it would consider a more individualised welfare system based on trust, mutual obligations and responding to individual situations as part of its welfare overhaul package (CAB-19-SUB-0170 refers)
- 2 **note** that you have agreed to review the purposes and principles of the *Social Security Act 2018* (the Act) and for a working policy framework to be included in a Cabinet paper later this year (REP/19/6/563 refers)

Expectations on MSD

- 3 **note** there are range of reforms underway as part of the welfare overhaul to improve and clarify the MSD offer to people interacting with the welfare system and to improve the client experience, as set out in this report
- 4 **agree** that, as we review the purposes and principles of the Act, we will provide you with a range of options for strengthening accountability on MSD for meeting its expectations

Agree / Disagree

Work related obligations

- 5 **note** that Cabinet signalled the importance of work expectations and did not envisage removing work-related obligations in an overhauled welfare system (CAB-19-SUB-0170)
- 6 **confirm** that employment continues to be the priority expectation of people who are able to work, to either prepare for or seek full-time (or part-time) suitable paid employment

Agree / Disagree

- 7 **note** the work obligations can be deferred or exempted for people in some situations, such as when their capacity is limited by health conditions, disability or caring responsibilities

- 8 **note** that there is scope to overhaul the exemption and deferral rules that vary work obligations for people in different situations and officials recommend that this work be informed by the review of the purposes and principles of the Act and application of kaupapa Māori values

- 9 **agree** that MSD review the existing exemptions and deferral rules for work obligations to ensure these are up to date and reflect the Government's vision for the welfare system, including developing options for improving practice

Agree / Disagree

- 10 **note** that there is also scope to review and change all the age settings relating to children (for sole parents and partners) in relation to work obligations for those caring for dependent children, and officials recommend this work be informed by the review of the purposes and principles of the Act and application of the kaupapa Māori values

- 11 **agree** that MSD review the existing age settings of the youngest dependent child, in relation to the work obligations for those caring for dependent children (sole parents and partners), and provide options for the overhaul work programme

Agree / Disagree

Subsequent child policy

- 12 **note** that Cabinet agreed to consider removing the subsequent child rule, which places work obligations on parents to return to work earlier, potentially from the subsequent child's first birthday, if they had an additional child while receiving a benefit (CAB-19-SUB-0170 refers)

- 13 **note** that initial advice on removing the subsequent child policy is provided in Appendix Three and removing the subsequent child policy would require Cabinet approval, funding through Budget (an estimated annual fiscal cost of \$11,500 per year and operational and IT build cost of approximately \$3.9 million), legislative change and one year of operational and IT build time

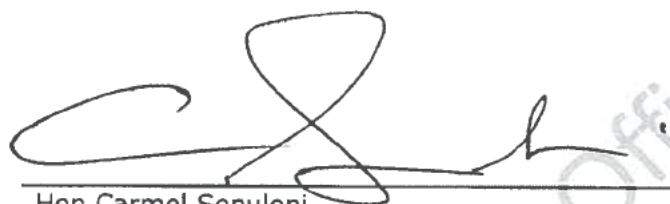
14 **note** that we will be providing you with further advice on the implications of removing the subsequent child rule and other obligations, including those identified by *Whakamana Tāngata*, prior to your meeting with the Prime Minister, Minister of Finance and Minister for Children on 6 August 2019.



Fiona Carter-Giddings
General Manager, Policy Group

18/07/2019

Date



Hon Carmel Sepuloni
Minister for Social Development

28/07/19

Date

Released under the Official Information Act

Purpose

- 15 The purpose of this report is to provide you with advice on rebalancing mutual expectations in the welfare system. This report sets out the case for rebalancing the social contract and work that will clarify and improve expectations of the Ministry of Social Development (MSD) for those interacting with the welfare system.
- 16 This report also sets out the case for retaining work obligations for those in receipt of benefits to ensure that seeking suitable employment remains the primary expectation for those who are able.
- 17 We also propose to review the settings that vary work obligations for people who are not able to work in certain situation. We propose that these settings be reviewed as part of the medium to long-term work programme. However, given that Cabinet signalled it would consider removing the subsequent child policy in the short-term, (CAB-19-SUB-0170 refers) we have provided some preliminary advice on this in Appendix Three of this report.

Background

- 18 This paper is part of the advice on overhauling the welfare system being sent to you over June and July 2019. Related papers include *Welfare Overhaul Foundations: Purposes and principles of the Social Security Action, kaupapa Māori values and Te Tiriti o Waitangi* (REP/19/6/563 refers), *Welfare Overhaul Foundations: Working Policy Framework* (REP/19/7/628 refers) and *Welfare Overhaul: volunteering and the welfare system* (REP/19/6/537 refers).
- 19 In February 2019, the Welfare Expert Advisory Group (WEAG) provided you with its final advice in the report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*. This argues that the social contract between Government and its citizens established in New Zealand's legislation in the *Social Security Act 1938* (the Act) is now out of balance. Over time, the conditionality and targeting of support has increased and the adequacy of income and support service provided has decreased. The report argues that the experience of using the system is unsatisfactory and damaging for many of the highest in need, who are required to frequently engage with a complex system to get their basic needs met.
- 20 *Whakamana Tāngata* identifies restoring trust as a key component of the welfare overhaul and, to this aim, proposes developing a 'mutual expectations framework' to improve trust and the client experience of the welfare system. *Whakamana Tāngata* proposes setting out clearer expectations on MSD and on people in receipt of income support and improving the mix of support and services.
- 21 The Government is already committed to overhauling the welfare system and has started making changes to overhaul the welfare system in line with its vision 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 - ensuring everyone who is able is earning, learning, caring or volunteering.
- 22 The Government signalled that consideration would be given to a more individualised system based on trust, mutual obligations and responding to individual situations (CAB-19-SUB-0170 paragraph 95 refers). "*At a service delivery level this would require a mutual obligations framework where the 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*" (CAB-19-SUB-0170 paragraph 23.2 refers).
- 23 The Government signalled it would not be removing all work-related obligations and sanctions but did commit to reviewing and removing some sanctions, including repeal

of the sanction for not naming the other parent in section 192 of the Act (as part of Budget 2019) and consideration of the removal of the subsequent child policy.¹

There is a case for setting out the mutual expectations of the welfare system

- 24 *Whakamana Tāngata* found that the current system diminishes trust, causes anger and resentment, and creates toxic levels of stress. In particular, *Whakamana Tāngata* argues that to work effectively, mutual trust is essential between parties. It proposed a system based on whakamana tāngata – mutual expectations and responsibilities governing interactions between the state and welfare recipients. It noted that this should be underpinned by kaupapa Māori values, including manaakitanga (caring with dignity and respect), ōhanga (economics) and whanaungatanga (treasuring kinship ties and relationships).
- 25 The WEAG recommended that MSD “develop a mutual expectations framework to govern interactions between the Ministry of Social Development and those who interact with the welfare system” (recommendation 10, *Whakamana Tāngata*).
- 26 As part of their argument to ‘rebalance the social contract’ the WEAG argue for a simple and clear understanding of each party’s contribution to the relationship. A trusting relationship is underpinned by clear expectations and doing what is expected (e.g. paying people their entitlements and treating them with respect, and for clients, engaging with services and telling MSD about their circumstances.) The WEAG proposed the current system be reformed into a system of mutual expectations and responsibilities that are applied according to the circumstances of the individual. The model the WEAG envisaged, discussed in chapter six of *Whakamana Tāngata*, is set out in Appendix One.

MSD recognises the need for clarifying and improving our offer as part of the social contract

- 27 We recognise the need to deliver more timely income support and to ensure full and correct payments, as well as to communicate with clients in a helpful and caring way. We agree that more could be done to clarify to clients what they can expect of MSD when interacting with the welfare system. MSD has already made several changes that are well underway to improving the service culture at MSD and improving people’s experiences of the welfare system.

Expectations of MSD: significant work underway

- 28 MSD supports the principle of mutual expectations and we recognise the need for MSD to clarify and improve our offer to people on benefits as a basis for building trusting relationships. The early steps MSD has already taken to change our culture, such as developing our *Client Commitment*, were recognised and endorsed by the WEAG.
- 29 There is significant work already underway to clarify and improve what MSD offers to clients.

MSD is taking steps to communicate our commitments to clients

- 30 To improve the client experience there are ongoing physical improvements to Work and Income service centres across the country as part of our ‘*Strengthening our Service Culture and Client Experience*’ activity.

¹ “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.” (CAB-19-SUB-0170 Paragraph 91 refers).

- 31 Our published *Client Commitment* sets out the service standards clients can expect of MSD across the country and these are set out visibly across MSD, advertising our commitment to deliver a better client experience.
- 32 Heartbeat (MSD's new client surveys) will provide valuable survey data covering a wider range of users' experiences of the benefit system against our *Client Commitment* and this information will be used by teams at MSD to make changes to improve our clients' experience.

MSD is assisting clients to get what they are entitled to

- 33 A range of initiatives are underway in MSD to improve take-up of income support and ensuring people receive their full and correct entitlements. This includes targeted communications to potential recipients and addressing process improvements for specific payments and processes (REP/19/15/444 refers).
- 34 The online eligibility guide, which has been available since June 2018, provides a quick tool for people to check their eligibility for benefits.
- 35 We have been simplifying application processes and enabling applications for some payments to be made over the phone, such as hardship supports.

Our strategic direction is focused on changing MSD's culture

- 36 *Te Pae Tawhiti* sets out MSD's strategic direction to be a trusted and proactive organisation, connecting clients to all the supports and services that are right for them and improving the social and economic wellbeing of New Zealanders. This includes work on the business case for MSD's future operating model and builds on *Better Every Day* and *Operational Excellence*. In thinking about our future, we want to tackle the negative perceptions of MSD and the erosion of trust.

We are partnering with Māori

- 37 Our Māori Strategy and Action Plan *Te Pae Tata*, sets out how our strategic shifts of mana manaaki, kotahitanga and kia takatū tātau can be realised for Māori. MSD will earn the trust and respect of Māori and will form genuine partnerships with Māori. MSD want to better support Māori aspirations and partner for greater impact, as part of our commitment to Te Tiriti o Waitangi and also because Māori are over-represented in main benefits. *Te Pae Tata* sets out how MSDs strategic direction for achieving better outcomes can be realised specifically for Māori.
- 38 We have outline to you how we intend to strengthen the role of Te Tiriti in the welfare system (REP/19/6/563 refers) and set out our approach for engaging with Māori (REP/19/6/565 refers), to recognise the importance of Māori perspectives for delivering more equitable outcomes for Māori. We expect to gain further insights for improving trust through this engagement plan and application of kaupapa Māori values as we develop the overhaul work programme.

We will explore options to strengthen expectations of MSD in legislation

- 39 There are some limited legislative requirements on MSD at present. MSD has a common law duty (identified in the Courts) to assist people making applications to ensure that correct benefits are paid and in taking that determination to be proactive – not to be defensive or bureaucratic. While this is a legal duty, there are no legislative ways to hold MSD to account for these expectations. More could be done to clarify what people can expect of MSD and how MSD could be held to account for meeting this and other expectations. There are a range of options that could be considered such as:
 - revising principles and values in legislation to drive MSD behaviour
 - more explicit process related expectations on MSD and how these might be measured (for example, meeting service level standards for particular processes)
 - output or outcome-based expectations on MSD codified in legislation.

- 40 We propose to undertake further work to provide advice on whether and how legislative obligations could be set out for MSD, as part of the medium to long-term work programme to look at the purposes and principles of the Act. This work could also look at the range of options for what the effect of MSD's failure to comply with any obligations could be, and any other implications of codifying expectations of MSD in legislation.

Expectations of clients

- 41 A critical part of the welfare system is ensuring there are the right incentives, supports and expectations to encourage participation in sustainable and suitable paid employment for those welfare recipients who are able.

Employment remains a primary outcome for those who are able

- 42 In an overhauled welfare system, we envisage that employment will continue to be an important focus. An employment focus is paramount because:
- employment is generally the most important means of obtaining adequate economic resources that are essential for material well-being²
 - good, suitable employment is generally good for health and wellbeing, particularly mental health
 - people who move off benefits and (re) enter work generally experience improvements in income, socio-economic status, mental and general health and wellbeing.³
- 43 Work obligations on those in receipt of income support provides one of the principle instruments for linking unemployed people to employment services and the labour market.

Work obligations are an important part of a wider set of levers

- 44 Having strong and clear expectations to seek employment are an important part of ensuring that passive policies (income support) and active policies (labour market programmes) work together to support employment outcomes, rather than operating in isolation from each other (OECD Jobs Strategy, 2018). Introducing other non-earning related expectations can crowd out the ability to look for work or hinder the chance of obtaining work.
- 45 However, work obligations are not the only lever to influence employment outcomes; financial incentives, the level of employment support and level of financial assistance all play a part.⁴ We are providing you with advice to improve all these levers as part of the welfare overhaul work programme.

Work obligations should apply for those who are able

- 46 On the client's side of the social contract, there is an expectation that people who are able to work will look for employment.
- 47 For the overhaul work going forward, we advise that the current work obligation framework provides a sound basis for expectations on people who are able to work.
- 48 Currently a person's ability to work is of central importance to deciding expectations on benefit. The Act sets out the following principles:
- Work in paid employment offers the best opportunity for people to achieve social and economic well-being.

² *Is work good for your health and well-being?* Waddell & Burton, 2006.

³ *Is work good for your health and well-being?* Waddell & Burton, 2006.

⁴ Working is generally the best way to avoid poverty, but in-work poverty is also a key challenge facing New Zealand. We are providing you with a separate report on income support (REP/19/7/637).

- The priority for people of working age should be to find and retain work.
- People for whom work may not currently be an appropriate outcome, should be assisted to prepare for work in the future and development employment-focused skills.

49 s 9(2)(f)(iv)

The current work obligations provide a robust framework

50 Currently there are three broad types of work obligations – a requirement to seek either full-time work, part-time work or to prepare for work. These variations in the work obligations (or work tests) are to help take into account reasonable expectations of people in different circumstances.

51 Appendix Two sets out the work obligations and who they apply to in more detail.

52 The current work obligation settings are:

- **Full time** work obligations of 30 hours per week
- **Part time** work obligations (15 or 20 hours per week)
- **Work preparation** include planning for employment, reporting to MSD on progress in meeting obligations, attending interviews with case managers, or undertaking an activity to improve work readiness.⁶

53 s 9(2)(f)(iv)

In practice work obligations look different for different people

54 The application of the work obligations is not 'one size fits all' - the exact mix of activities required may differ based on individual circumstances. How the work obligations are met by people in different situations depends on individual skills, experience and capacity, local opportunities and a range of other factors, including what would be beneficial for the individual to staircase them to a suitable job.

55 Fulfilling the work obligations can include undertaking relevant training, preparing to look for work, improving work-readiness or participating in a supportive programme with an MSD partner organisation.

56 Note that we have provided you with a report on volunteering and the welfare system (REP/19/6/537 refers), where we propose that volunteering should not be formally expected or required through benefit settings at this stage. However, we outline opportunities to increase MSD support for volunteering and community participation where this is appropriate.

Full-time employment is not always the appropriate outcome

57 The welfare system plays a significant role in supporting those with limited or no capacity to work, either temporarily or permanently.

58 Currently the full-time work obligations do not apply in every situation and can vary for those with health conditions, disability or caring responsibilities. Currently work obligations vary in the following way:

⁵ "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." Paragraph 91, CAB-19-SUB-0170 refers.

⁶ Activities need to be assigned for this obligation to be activated.

For people caring for dependent children

- Work preparation obligations apply for people on Sole Parent Support (SPS) and partners of Jobseeker Support (JS) and Supported Living Payment (SLP) when their youngest child is aged under three years.
- Part-time work obligations apply for people on SPS and partners of JS and SLP when their youngest child is aged between three and fourteen years.
- Full time work obligations apply for sole parents with a youngest child aged 14 years on JS, and for spouses and partners of people receiving JS and SLP.
- If a parent has an additional child while on benefit, the sole parent or partner will have work preparation obligations until the child turns 12 months of age. When that child turns 12 months of age, the sole parent or partner's work obligations will be based on the age of the next youngest child (the subsequent child policy).

For people with health conditions and disabled people

- People on the Supported Living Payment (SLP) and SLP carers do not have any work obligations but if they are assessed as having some work capacity, work preparation obligations can apply.
- For people receiving JS due to a health condition or disability (JS-HCD) part-time work obligations may apply.

59 There are also some ways for people to be granted exemptions from work obligations or for these to be deferred, for example, if they are:

- caring for a child or foster child with special needs
- caring for a child under 3 years who is not their dependent child
- caring for a person with a health condition, injury or disability
- experiencing family or domestic violence
- serving a sentence of home detention or has conditions and requirements of a court sentence or court order that limits their ability to meet all their obligations (in part or full)
- they have a recent bereavement of spouse or partner
- recent separation from spouse or partner
- home schooling a dependent child
- unable to meet work preparation obligations due to health condition, injury or disability.

60 Appendix Two provides a summary table of current exemptions from work obligations.

Caring for dependent children

61 This overhaul provides you with an opportunity to consider greater flexibility for individual circumstances around when work obligations can vary for people in specific circumstances.

62 *Whakamana Tāngata* advocated that parents of young children should not be expected to take up paid work unless it fitted with their individual circumstances and that the application of the work expectations should take account of the individual circumstances of sole parents. This approach would require a shift away from a rules-based approach linked to the age of the youngest dependent child, to a broader consideration of the situations of sole parents than currently is the case (such as the availability and suitability of childcare in individual cases).

- 63 We propose to provide you with further advice on how work obligation rules could vary for parents receiving a main benefit. The following areas could be considered for overhaul as part of the medium to long-term work programme:
- Reviewing the existing exemptions and deferral rules to ensure these are up to date and reflect the Government's vision for the welfare system, including developing options for improving practice.
 - Reviewing the age settings relating to children (for sole parents and partners) that alter the work-related obligations.
- 64 As part of the wider suite of reports we are also providing you with advice on options to improve childcare assistance that could help better support sole parents and partners who want to enter employment but face barriers (REP/19/7/637 refers). System users tell us they want to work but they may face barriers such as limited opportunities in their labour market, caring duties, physical and mental health conditions. We will also be providing you with advice on improving employment services shortly (REP/19/7/552 refers).
- 65 Cabinet agreed to consider removing the subsequent child policy in April 2019 (CAB-19-SUB-0170 refers). Your Office has asked for some initial advice on the impact of removing this policy and this is set out in Appendix Three. Removing the policy would require Cabinet approval, funding through Budget, legislative change and operational build lead time. We will be providing you with further detailed advice as part of the briefing for your upcoming meeting with the Prime Minister, Minister of Finance and Minister for Children on 6 August 2019. The removal of this rule could be considered part of longer-term work on reviewing the work obligations and age settings for parents caring for dependent children.

Next Steps

- 66 You are meeting with the Prime Minister, Minister of Finance and Minister for Children on 6 August 2019.
- 67 We will provide you with further advice on the subsequent child policy prior to this meeting, as well as some preliminary advice on the implications of removing other obligations, including those identified in *Whakamana Tāngata* such as pre-benefit activities, sanctions for warrants to arrest, social obligations, pre-employment drug testing, mandatory work ability assessments, and 52 week reapplication.

File ref: REP/19/7/634

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Appendix One: Expectations of MSD and people in receipt of income support from *Whakamana Tāngata*

The following table sets out the mutual expectations laid out in *Whakamana Tāngata* for MSD and people in receipt of income support. We have indicated where we have provided you with advice as part of the welfare overhaul work programme.

Source: *Whakamana Tāngata* Chapter 6: Restoring trust with people using the welfare system, pages 80-81

MSD should:	People (clients) should:
Recognise the need for timely income support and ensure people are offered their full and correct entitlements (REP/19/05/444 and REP/19/7/637 refers).	Look for, and accept, suitable employment and other opportunities when they arise, with consideration being given to the suitability of the employment, the person's caring responsibilities and health or disability barriers, and any other restrictions on work capacity for a: <ul style="list-style-type: none"> • Part time expectations for people whose youngest dependent child is 6 years • Full time expectations for people without caring responsibilities and whose youngest child is 14 years or older. (This report)
Take time with clients to understand individual circumstances	Attend and participate in appointments with MSD
Ensure people get full information about assistance available and how to access it (REP/19/05/444 refers)	Give full, correctly and timely information to MSD
Ensure people are given all the relevant assistance they need to access opportunities (e.g. travel assistance) (REP/19/05/444)	Seek ways to participate in their community through earning, learning, caring or volunteering, where this is appropriate and fits with skills/aspirations (This report and REP/19/6/537 refers)
The right people are sent to the right jobs for which they have relevant skills and experience	Engage with services to help them in earning, learning, caring and volunteering aspirations. (This report)
Receive some in work support (those in part-time/temporary reporting work, particularly to easily report their income)	
Clearly communicate when appointments and necessary and ensure these works for the client	
Provide a choice of channel to engage MSD	
Stakeholders are consulted and advised about services that affect their population. (REP/19/6/565 refers)	

Appendix Two: The current work obligations, deferrals and exemption rules

The 'work test obligations' that apply when a client has work obligations are set out in section 146 of the *Social Security Act 2018* (the Act) (set out below). Failure to meet these obligations without a good and sufficient reason may lead to an obligation failure and a sanction may be imposed.

Work obligations may be full-time work (30 hours per week) or part-time (15 or 20 hours per week). Obligations may be deferred or an exemption may be applied:

- For people receiving JS, work obligations are generally full-time. Part-time (15 hours a week) and deferred work obligations may apply due to a health condition or disability (HCD). Sole parents with a youngest child aged 14 years or over have full-time work obligations.
- SPS recipients have part-time work obligations (20 hours a week) if they have a youngest child aged between three and 13 years.
- Spouses and partners of people receiving JS and Supported Living Payment (SLP) with a youngest child aged between three and 13 years have part-time work obligations. Those with no children or a youngest child aged 14 or over have full-time work obligations.
- If an additional child is included in benefit and the subsequent child policy applies, the sole parent or partner will have work preparation obligations until the child turns 12 months of age. When that child turns 12 months of age, the sole parent or partner's obligations will be based on the age of the next youngest child.

Work preparation obligations apply to SPS clients with a youngest dependent child aged under three years, SLP clients assessed as having the capacity to prepare for work, and spouses or partners of recipients of JS and SLP with a youngest dependent child aged under three years.

- Work preparation obligations can include planning for employment, reporting to Work and Income on progress in meeting obligations, attending interviews with Work and Income, or undertaking an activity to improve work readiness.
- The exact mix of activities may differ based on individual circumstances. If a client does not meet their work preparation obligations without good and sufficient reason then an obligation failure will be initiated and a sanction may be imposed.

Deferrals: Work obligations can be deferred for people who:

- have a health condition, injury or disability and either have no capacity for work, or capacity for work that is less than 15 hours a week
- are sole parents and partners of JS and SLP who have a subsequent child aged under 12 months
- are pregnant from their 27th week of pregnancy or earlier if there are complications.

Summary Table of Exemptions from Work Obligations (the Act)

Exemptions from work obligations	Applies to
Caring for a child under 3 years who is not their dependent child	<ul style="list-style-type: none"> • Partners of JS and SLP clients • Sole parents receiving JS or SPS
Caring for a child or foster child with special needs	<ul style="list-style-type: none"> • Partners of JS and SLP clients • Sole parents receiving JS or SPS <p data-bbox="738 696 1278 757">Note: Also available for clients with work preparation obligations</p>
Caring for a person with a health condition, injury or disability	Partners of JS and SLP clients <p data-bbox="738 920 1278 981">Note: Also available for clients with work preparation obligations</p>
Court imposed conditions	All clients with work or work preparation obligations <p data-bbox="738 1133 1318 1193">Note: Also available for all clients with work preparation obligations</p>
Family or domestic violence	All clients with work obligations <p data-bbox="738 1346 1318 1406">Note: Also available for all clients with work preparation obligations</p>
Home schooling a dependent child	<ul style="list-style-type: none"> • Partners of JS and SLP clients • Sole parents receiving JS or SPS
In approved full-time training	<ul style="list-style-type: none"> • Partners of JS and SLP clients • Sole parents receiving JS or SPS
In approved study before subject to work obligations	<ul style="list-style-type: none"> • Partners of JS and SLP clients • Sole parents receiving JS or SPS

Orphans Benefit or Unsupported Childs Benefit under 3 years

Pregnant 27 weeks or earlier if there are complications

Recent bereavement of spouse or partner

Recent separation from spouse or partner

Would qualify for Jobseeker Support - health condition, injury or disability

Would qualify for Supported Living Payment - health condition, injury or disability

- Partners of JS and SLP clients
- Sole parents receiving SPS
- Partners of JS and SLP clients
- Sole parents receiving SPS

Note that single clients receiving JS have their obligations deferred

- Single clients receiving JS
- Sole parents receiving either JS or SPS

Note: Also available for clients with work preparation obligations

- Single clients receiving JS
- Sole parents receiving either JS or SPS

Note: Also available for clients with work preparation obligations

- Partners of JS and SLP clients
- Sole parents receiving SPS

- Partners of JS and SLP clients
- Sole parents receiving SPS

Note: Also available for partners with work preparation obligations

Appendix Three: Preliminary advice on removing the subsequent child policy

- 1 The subsequent child policy was introduced in 2012 and retains part-time or full-time work test obligations based on the age of a person's first youngest non-subsequent child. It 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.
- 2 When a client has a child that is a subsequent (additional) dependent child, this child is not considered a dependent child for the purposes of deciding if the client has entitlement for Sole Parent Support and associated work obligations. There are exceptions where MSD can decide to refrain from applying the subsequent child policy.
- 3 *Whakamana Tāngata* recommended removing some obligations and sanctions, specifically mentioning the subsequent child policy. MSD considers that removing the subsequent child policy meets some of the key objectives of the welfare overhaul.
- 4 Cabinet signalled that it would consider removing the subsequent child policy in the short term. Removing this policy would require Cabinet approval, funding through Budget, legislative change and operational build time.
- 5 Removing the subsequent child policy would mean that:
 - 5,400 people on Sole Parent Support would have their work obligations changed from part-time to work preparation
 - 2,500 people on Jobseeker Support would move to Sole Parent Support. Work obligations would change in line with this.
 - 1,000 partners who may have their work obligations changed to part-time work obligations or work preparation obligations.⁷
- 6 Removing the subsequent child policy impacts Māori more so than other ethnic groups. The estimated impacts of removing this policy broken down by ethnicity are provided below:⁸
 - Of Sole Parent Support recipients who may be impacted by the removal of the policy, an estimated 59 percent are Māori, 13 percent are Pacific and 20 percent are New Zealand European.
 - Of Jobseeker Support recipients who may be impacted, an estimated 67 percent are Māori, 9 percent are Pacific and 18 percent are New Zealand European.
 - Of partners who may be impacted, 43 percent are Māori, 16 percent are Pacific and 22 percent are New Zealand European.
- 7 There is a small fiscal impact of this change in terms of benefit expenditure. While rates of main benefit are not expected to change if the subsequent child policy is removed, those people who would move to Sole Parent Support may have access to extra assistance such as the Work Bonus, Training Incentive Allowance and Sole Parent Support Study Assistance. The annual fiscal cost of the change is estimated to be approximately \$11,500 a year. The operational and IT costs to implement this change are estimated to be approximately \$3.9 million over the forecast period and would require approximately one year of operational and IT build time. These cost and implication estimates are subject to further refinement depending on implementation date decisions.

⁷ Based on snapshot data as at 3 May 2019.

⁸ Note there are important caveats associated with the ethnicity data provided. There are known quality issues with the ethnicity data that MSD holds, associated with the fact that this information is not required to determine eligibility for, or levels of, payments. For this reason, these figures should be treated as indicative.

- 8 If you wish to proceed with the removal of the policy, we will provide you with further advice on timeframes for funding and legislation.
- 9 We are planning to provide you with further advice on this policy as well as the implication for removing other obligations, prior to your meeting with the Prime Minister, Minister of Finance and Minister for Children on 6 August 2019.
- 10 The removal of this rule could also be considered as part of longer-term work on reviewing the work obligations and age settings for parents caring for dependent children.

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