



19 JUL 2021

Dear

On 8 June 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

1. *All reports, briefings, and other documents provided to MSD related to work test obligations, since October 2019.*
2. *All evidence that supports the use of work test obligations, including the effectiveness of the policy, particularly that used to inform changes to the work test obligations policy.*
3. *Data regarding the number of sanctions for failing work test obligations imposed by MSD since Jan 2014, broken down by year, ethnicity, gender, and type of sanction*

I will respond to your questions in turn.

1. *All reports, briefings, and other documents provided to MSD related to work test obligations, since October 2019.*

Please find the following report in scope of question one and two enclosed:

- *Report – Confirming the scope of the review of work obligations and sanctions, dated 6 May 2021*

Some information is withheld under section 9(2)(f)(iv) of the Act as it is under active consideration. The release of this information is likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.

Another report titled *Proposed approach for reviewing obligations and sanctions*, dated 24 July 2020, is in scope of question one and two. This paper was released to you on 19 May 2021, following your request dated 21 April 2021 and is, therefore, refused under section 18(d) of the Act.

2. *All evidence that supports the use of work test obligations, including the effectiveness of the policy, particularly that used to inform changes to the work test obligations policy.*

Regarding your second question, I refer you to the Welfare Expert Advisory Group's evidence briefs which are publicly available here: www.weag.govt.nz/weag-report/evidence-briefs/.

3. *Data regarding the number of sanctions for failing work test obligations imposed by MSD since Jan 2014, broken down by year, ethnicity, gender, and type of sanction*

As you are aware, once a benefit has been granted, clients must meet certain on-going obligations in order to keep receiving that benefit or payment. The following link outlines the different obligations required for each of the main benefits offered by the Ministry: www.workandincome.govt.nz/on-a-benefit/obligations/index.html.

When an obligation failure occurs, the beneficiary is notified by a letter in the mail and they have five working days to provide a "good and sufficient" reason for why they could not meet the obligation (e.g. missing an appointment or failing to attend a training course). If the client provides a good and sufficient reason, then the obligation failure is overturned, and no sanction is imposed. Generally, the decision is made in the client's favour rather than the obligation failure standing. However, in any case, the obligation failure will be recorded.

There are three types of sanctions: Grade 1, Grade 2, and Grade 3. A Grade 1 sanction – a percentage reduction in benefit amount – is applied when a client has failed to meet their obligations for the first time in the last 12 months. A Grade 2 sanction – suspension of benefit – is applied when a person has failed their obligations for the second time in the last 12 months. A Grade 3 sanction – cancellation of benefit – is applied when a person has failed their obligations for the third time in the last 12 months or has not accepted an offer of suitable employment (i.e. job refusal).

It should be noted that, when applying sanctions, benefit protections exist for clients with children.

As outlined above, sanctions can affect benefit recipients in several ways depending on the client's circumstances and the number of times they have had a sanction imposed over the last 12 months. A sanction can be withdrawn when a client provides additional information, and a large majority of clients facing sanctions will re-comply before their benefit is impacted.

Please find the following data tables enclosed in **Appendix One**:

- **Table One:** Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and ethnicity
- **Table Two:** Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and gender

- **Table Three:** Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and sanction type

You will note that the number of sanctions has experienced a strong decline since June 2020. This was due to the Government's decision to temporarily stop sanctioning clients who do not meet their obligations during the time of the pandemic.

The principles and purposes of the Act 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
- 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 regarding benefit sanctions, 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.

Yours sincerely



Christian Opetaria
Policy Manager
Welfare System and Income Support Policy

Appendix One

Table One: Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and ethnicity

Quarter ending / Ethnic Group	Māori	Pacific Peoples	NZ European	Other	Unspecified	Total
March 2014	8,163	1,950	4,014	1,248	255	15,627
June 2014	9,930	2,358	4,755	1,539	291	18,879
September 2014	9,429	2,133	4,308	1,374	306	17,547
December 2014	7,317	2,151	5,598	1,449	669	17,181
March 2015	6,585	1,935	4,971	1,374	630	15,498
June 2015	7,716	2,427	6,303	1,533	744	18,723
September 2015	7,323	2,271	5,898	1,491	759	17,739
December 2015	7,263	2,034	5,436	1,383	333	16,449
March 2016	4,863	1,185	3,855	987	273	11,163
June 2016	6,051	1,632	4,950	1,140	663	14,436
September 2016	6,081	1,596	4,581	1,080	897	14,238
December 2016	4,896	1,293	3,594	837	732	11,355
March 2017	6,561	1,755	5,031	1,119	999	15,465
June 2017	6,657	1,755	5,028	1,203	975	15,618
September 2017	6,120	1,800	4,764	1,137	903	14,724
December 2017	6,342	1,749	4,695	1,104	888	14,778
March 2018	6,540	1,653	4,689	963	858	14,703
June 2018	5,496	1,395	3,747	828	750	12,216
September 2018	4,254	1,293	2,742	657	558	9,504
December 2018	3,819	978	2,625	579	537	8,535
March 2019	4,791	1,002	3,117	621	654	10,191
June 2019	5,289	1,179	3,519	726	687	11,400
September 2019	4,638	1,167	3,360	663	645	10,470
December 2019	5,301	1,206	3,957	675	714	11,853
March 2020	5,352	1,197	3,858	777	708	11,892
June 2020	84	12	45	6	12	162
September 2020	756	147	690	108	135	1,839
December 2020	1,752	468	1,770	237	267	4,494
March 2021	2,268	660	2,019	366	360	5,673

Table Two: Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and gender

Quarter ending / Gender	Female	Male	Gender Diverse	Total
March 2014	7,320	8,310	0	15,627
June 2014	9,225	9,657	0	18,879
September 2014	8,433	9,114	0	17,547
December 2014	8,199	8,979	0	17,181
March 2015	7,212	8,289	0	15,498
June 2015	9,168	9,558	0	18,726
September 2015	8,793	8,946	0	17,739
December 2015	7,968	8,478	0	16,452
March 2016	5,178	5,985	0	11,166
June 2016	7,059	7,377	0	14,439
September 2016	7,206	7,032	0	14,238
December 2016	5,706	5,652	0	11,355
March 2017	7,761	7,701	0	15,465
June 2017	7,776	7,842	0	15,618
September 2017	7,224	7,500	0	14,724
December 2017	7,056	7,722	0	14,778
March 2018	6,852	7,851	0	14,706
June 2018	5,610	6,603	0	12,213
September 2018	4,182	5,322	0	9,504
December 2018	3,660	4,875	0	8,535
March 2019	4,353	5,838	0	10,191
June 2019	4,635	6,762	0	11,400
September 2019	4,284	6,183	0	10,470
December 2019	4,554	7,302	0	11,853
March 2020	4,761	7,128	6	11,892
June 2020	54	105	0	162
September 2020	606	1,233	3	1,839
December 2020	1,470	3,015	12	4,494
March 2021	1,848	3,810	12	5,673

Table Three: Sanctions imposed on working age clients in the period 1 January 2014 to 31 March 2021, broken down by quarter and sanction type

Quarter ending / Sanction Type	Benefit graduated or rate reduction	Suspended or cancelled	Total
March 2014	11,799	3,831	15,630
June 2014	14,490	4,389	18,879
September 2014	13,104	4,443	17,547
December 2014	12,816	4,365	17,181
March 2015	11,676	3,822	15,498
June 2015	14,700	4,026	18,726
September 2015	13,719	4,020	17,739
December 2015	12,969	3,483	16,449
March 2016	8,760	2,406	11,163
June 2016	11,727	2,709	14,439
September 2016	11,784	2,454	14,235
December 2016	9,450	1,902	11,355
March 2017	13,176	2,292	15,465
June 2017	12,864	2,754	15,621
September 2017	12,024	2,700	14,724
December 2017	12,048	2,730	14,778
March 2018	11,859	2,847	14,703
June 2018	9,864	2,349	12,213
September 2018	7,572	1,932	9,504
December 2018	6,963	1,572	8,535
March 2019	8,514	1,674	10,191
June 2019	9,369	2,031	11,400
September 2019	8,463	2,010	10,470
December 2019	9,636	2,217	11,856
March 2020	9,507	2,385	11,892
June 2020	132	30	159
September 2020	1,617	222	1,839
December 2020	4,011	480	4,494
March 2021	5,040	633	5,673

Notes regarding all tables:

- This is a count of sanctions imposed, not clients, and the same client may have received more than one sanction during the period.
- Since 2 December 2019, the Ministry has three options to record a clients' gender. Female, Gender Diverse or Male.
- The ethnicity classification that is used to construct the above table does not necessarily align with the current Statistics New Zealand classification of ethnicity. Ethnicity details recorded by the Ministry have been gathered under a variety of classification methods as clients come into contact with the Ministry. The ethnicity data may be self-identified based on an individual's preference or self-construct. While the Ministry collects multiple ethnicities from clients, we only report a unique form of 'identified' ethnicity for core benefit data (one ethnic group per person with Māori coming first, Pacific groups second followed by other groups ending with NZ European).
- The table includes working age only (18 to 64 years).
- To protect confidentiality, the Ministry uses processes to make it difficult to identify an individual person or entity from published data. These data tables have had random rounding to base three applied to all cell counts in the table. A value of one or two may be rounded to zero or three. The impact of applying random rounding is that columns and rows may not add exactly to the given column or row totals. The published counts will never differ by more than two counts.



Report

Date: 6 May 2021

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

Welfare Overhaul: Confirming the scope for the review of work obligations and sanctions

Purpose of the report

- 1 You are asked to agree to the scope for the review of work obligations and sanctions. You are also asked to agree to the proposed objectives and criteria for the review.

Executive summary

- 2 Obligations and sanctions are being reviewed as part of the welfare overhaul medium-term work programme. The Welfare Expert Advisory Group recommended that obligations and sanctions should be reviewed and changed into a system of mutual expectations and responsibilities.
- 3 You agreed to review obligations and sanctions in two phases [REP/20/7/804 refers]. Phase one of the review is underway and you will receive advice on options in due course.¹ The review of work obligations is phase two of the review. The scope of phase two of the review has not been confirmed.
- 4 The current work obligations and sanctions regime places many obligations on clients. The available evidence does not provide a conclusive answer to whether obligations (and corresponding sanctions) in welfare benefit systems bring about desired behavioural changes, and whether the positive effects outweigh the negative effects. The review will provide an opportunity to assess the Ministry of Social Development's (MSD) role in supporting those with work obligations and ensure the welfare system ensures wellbeing outcomes.

5 s9(2)(f)(iv)

6

¹Phase One includes the Comprehensive Work Assessment (as part of 52 week re-applications), Pre-employment drug testing, Social Obligations and Warrants to Arrest.

s9(2)(f)(iv)

- 7 Any changes to work obligations and sanctions will have a significant impact on Māori as they are overrepresented in the welfare system. To ensure any proposed changes to the obligations and sanctions regime reflect the needs of Māori, we have referenced a whānau-centric approach to help Māori achieve their aspirations in the proposed objectives.

8 s9(2)(f)(iv)

9

- 10 If you agree to the proposed scope, objectives, and criteria for the review, we will develop options for amending the work obligations and sanctions regime to meet the proposed objectives. We will provide you with a report on options for amending the obligations and sanctions regime and indicative costings in late 2021. s9(2)(f)(iv)

Recommended actions

It is recommended that you:

- 1 **note** the Welfare Expert Advisory Group recommended reforming the obligations and sanctions regime into a system of mutual expectations and responsibilities
- 2 **note** obligations and sanctions are being reviewed as part of the medium-term work programme of the welfare overhaul to ensure they are designed and implemented to support wellbeing outcomes
- 3 **note** Cabinet has previously agreed that removing all obligations and sanctions are out of scope [CAB-19-MIN-0170 refers] and that the impact on children of the regime should be central to the review.

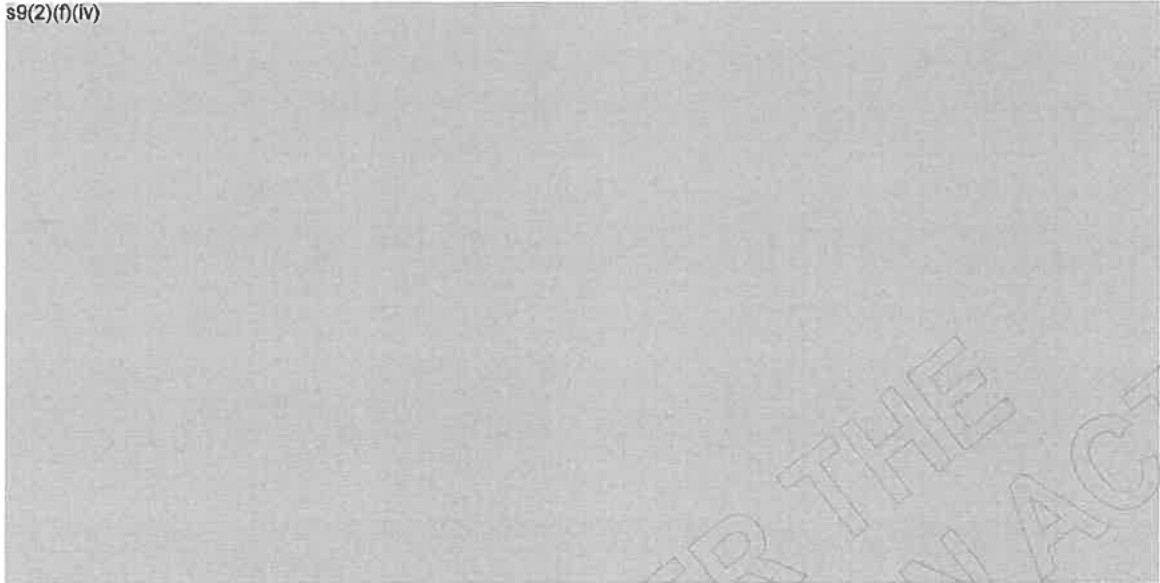
4 **note** you have previously confirmed that employment should continue to be the
priority expectation of people who are able to work [REP/19/7/634 refers]

5 s9(2)(f)(iv)

6

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OFFICIAL INFORMATION ACT

7 s9(2)(f)(iv)



- 8 **note** any changes to work obligations and sanctions will have a significant impact on Māori as they are overrepresented in the welfare system and we will be engaging with Māori on the review and options development
- 9 **note** we will provide you with a report with options for amending the obligations and sanctions regime with indicative costings where possible, in late 2021.

Leah Asmus
Policy Manager
Welfare System and Income Support Policy

Date

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

Background

The Welfare Expert Advisory Group recommend implementing a mutual expectations framework

- 11 The Welfare Expert Advisory Group (WEAG) provided their final advice on reforming the welfare system in February 2019. The WEAG recommended reforming the obligations and sanctions regime into a system of mutual expectations and responsibilities applied according to the circumstances of the individual.
- 12 The WEAG recommended removing the following obligations and sanctions:
 - pre-benefit obligations to complete specific activities before a benefit is granted
 - the sanction that stops benefit payments if people have a warrant out for their arrest
 - social obligations that require people to take all reasonable steps to enrol their children with a primary health care provider, be up to date with their core Well Child/Tamariki Ora checks, and be enrolled in and attending early childhood education (ECE) or school. Young parents may also be required to attend a parenting education programme
 - pre-employment drug testing requirements
 - the mandatory work ability assessment for people with health conditions or a disability
 - mandatory 52-week reapplication process
 - subsequent child rule
 - sanctions for not naming the other parent.
- 13 The WEAG argued that there is little evidence in support of using obligations and sanctions in the current system to change behaviour and there is research indicating that they compound social harm and disconnectedness. The WEAG advised that recent studies recommend moving away from such an approach towards more personalised services.

The Government agreed to review the obligations and sanctions regime as part of the welfare overhaul

- 14 On 6 November 2019, Cabinet agreed to a short, medium and long-term work programme for the welfare overhaul to achieve the Government's vision of 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 community.
- 15 The welfare overhaul medium-term work programme includes the review of all obligations and sanctions in the Social Security Act 2018 (SSA) and relevant regulations [CAB-19-MIN-0578 refers]. This includes a review of obligations and sanctions that have an impact on children, and ensuring the regime is designed and implemented to support wellbeing outcomes [SWC-19-MIN-0168 refers]. Cabinet made no further decisions on the scope of the review of obligations and sanctions.

You agreed to review obligations and sanctions in two phases

- 16 In July 2020, you agreed to progress the review of obligations and sanctions in two phases. Phase one included a review of:
 - Pre-employment drug tests - requires people receiving a main benefit to take and pass a drug test if it is part of the application process for a job or training course, and they have part-time or full-time work obligations. An obligation failure is initiated if, without good and sufficient reason, the client fails or refuses a drug test, or refuses to apply for a job as they will not pass a drug test. This can result in a sanction being imposed.

- Warrants to arrest – a client who has a warrant to arrest may have their benefit reduced or suspended if they do not take reasonable steps to resolve their warrant to arrest.
 - Social obligations – requires clients to take all reasonable steps to meet specific health and education outcomes for their child or risk having their benefit sanctioned.
 - Comprehensive Work Assessment (CWA) – a compulsory part of the 52-week reapplication process for clients and partners with work obligations which focuses on reassessing the client’s work capacity and which work obligations are appropriate for them (the other part of the reapplication assesses ongoing eligibility).
- 17 These obligations are being reviewed as part of phase one of the review of obligations and sanctions as they were advised to have an immediate impact on client experience and on children.
- 18 You received advice on social obligations on 30 April 2021 [REP/21/4/350 refers].
s9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
- 19 You will receive advice on pre-employment drug tests and warrants to arrest in due course.
- 20 s9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
- 21 The sanction for failing to assist child support (not naming the liable parent) was removed on 1 April 2020. The Cabinet Legislation Committee has also approved the introduction of a Bill to remove the subsequent child policy.

You are asked to agree to the proposed scope of phase two of the review of obligations and sanctions

- 22 You are asked to confirm the scope of phase two of the review of obligations and sanctions. There have been no further decisions on the scope of the review of work obligations and sanctions since the advice we provided in July 2020.
- 23 Cabinet has previously agreed that removing all obligations and sanctions are out of scope [CAB-19-MIN-0170 refers] and that the impact on children of the regime should be central to the review. You have confirmed that employment should continue to be the priority expectation of people who are able to work [REP/19/7/634 refers].

Early analysis has identified some issues in the work obligations and sanctions system

The available evidence is not clear on whether applying work obligations leads to higher exit rates off benefit into work

- 24 The Rapid Evidence Review on obligations and sanctions completed by MSD for the WEAG in 2019 noted the available evidence does not provide a conclusive answer to whether obligations (and corresponding sanctions) in welfare benefit systems bring about desired behavioural changes, and whether the positive effects outweigh the negative effects.²

²Ministry of Social Development, Obligations and Sanctions Rapid Evidence Review Paper 1: An Overview, p. 1

- 25 As reasons for people exiting benefits into employment vary and are confounded with other drivers and policy settings in the system, it is hard to isolate the impact of work obligations on sustainable employment outcomes.³ The review is an opportunity to determine what system of obligations will best support people into work.

The impact of work-related sanctions in New Zealand is not clear

- 26 There is limited research on the impact of work-related sanctions in New Zealand, with some evidence on effects from international studies. Some New Zealand-based studies have found themes of frustration and disengagement from the system that is considered hostile and complex.⁴
- 27 There is some limited evidence from interviews with clients that sanctions can lead to clients engaging with the system and stepping up job search efforts.⁵ Anecdotal evidence from within MSD and the National Beneficiaries Advocates Consultative Group also points to sanctions as prompting clients who have disengaged to engage with the system again.
- 28 International studies also point to regimes less severe than New Zealand's current regime being effective in increasing movements from benefits to work. Harsh sanction regimes can drive people away from employment and might worsen rather than improve the long-term impacts on children and families affected.⁶

The current system places many obligations on clients

- 29 Clients are required under the SSA to meet a range of obligations, including but not limited to looking for full time or part-time work, requirements to attend appointments at MSD, accept any suitable job offers, and update MSD on any changes to their circumstances.
- 30 MSD has three obligations under the SSA, i.e. ensuring clients are aware of their obligations and consequences of non-compliance, take reasonable steps to explain overseas absence rules and their effects on benefits, and taking reasonable steps to assist clients' compliance with overseas pension obligations. MSD does support clients through employment services, advice on training and referral to other services. These services can be inconsistently applied and can vary between regions.

Sanctions are applied inconsistently between regions, and Māori are being sanctioned at higher rates than other ethnic groups

- 31 Applying an obligation failure, which can lead to a sanction, requires frontline staff to use discretion to decide whether a person has a good or sufficient reason for not meeting an obligation. This discretion has led to variations in how sanctions are applied between regions.
- 32 Data from across regional offices also shows that sanctions are applied to Māori at a higher rate than non-Māori. Table 1 outlines data on sanction rates by ethnicity for the last five years:

³ Ministry of Social Development, Obligations and Sanctions Rapid Evidence Review Paper 1: An Overview, p. 8

⁴ Auckland City Mission, 2014

⁵ Ministry of Social Development, Obligations and Sanctions Rapid Evidence Review Paper 2: Work Related Sanctions, p. 19

⁶ Ibid p. 20

Table 1 - Number of work sanctions applied annually⁷

Ethnicity ⁸	2016		2017		2018		2019		2020	
	Count	%	Count	%	Count	%	Count	%	Count	%
Māori	27,294	53%	30,048	50%	20,457	45%	17,916	41%	6,396	35%
NZ European	12,957	25%	13,491	22%	8,370	19%	7,560	17%	3,207	17%
All other groups	10,962	21%	17,172	28%	16,191	36%	18,489	42%	8,802	48%
TOTAL⁹	51,219	100%	60,708	100%	45,018	100%	43,956	100%	18,408	100%

s9(2)(f)(iv)

34 Considering these questions will support the development of options to align the obligations and sanctions system with the proposed objective for the work obligations and sanctions system. It will also provide an opportunity to look at what a system of mutual expectations and responsibilities could look like, and MSD's role in supporting those with work obligations.

s9(2)(f)(iv)

⁷Annual' means 1 January to 31 December each year.

⁸Ethnicity data is self-identified and multiple ethnicities may be chosen by an individual as fits their preference or self-concept. Multiple ethnicities are prioritised into a hierarchy, with the Māori ethnicity having the highest priority. NZ European has the lowest priority.

⁹Due to random rounding during data processing, all columns do not add up to column totals, and all percentages do not add up to 100 due to decimal rounding.

s9(2)(f)(iv)

s9(2)(f)(iv)

- 36 You agreed to reinstate the Training Incentive Allowance (TIA) from 1 July 2021, subject to funding through Budget 2021 (REP/20/11/1133). The reinstated TIA will support degree-level study and below. The TIA is available to sole parents receiving Sole Parent Support (SPS), Youth Parent Payments or Emergency Maintenance Allowance, and people with disabilities and carers receiving the Supported Living Payment. You have recently agreed to expand eligibility to include sole parents receiving Jobseeker (JS), due to their youngest dependent child being 14 years or older.
- 37 Those studying full-time are not currently eligible for JS. As part of reinstating the TIA, you agreed to make the changes within current legislative settings, which means the TIA will only be available for sole parents studying part time, and sole parents wanting to study full time will still need to get support through the Student Allowance.

38 s9(2)(f)(iv)

s9(2)(f)(iv)

- 39 The role of volunteering in communities have been acknowledged by the Government as well as the WEAG. The WEAG noted that volunteering could enable people in receipt of a benefit to:
- participate meaningfully in their communities
 - develop knowledge, skills and work habits that contribute to work readiness
 - support the community infrastructure that enables people with a health condition or disability or with caring responsibilities to meaningfully participate in communities.
- 40 We have previously advised against making volunteering a formal part of the benefit system [REP/19/6/537 refers]. There are various risks associated with requiring volunteering as a work obligation, including the potential for clients to perceive a link between volunteering and their receipt of benefit payments.

41 s9(2)(f)(iv)

The proposed objectives align with the Government's vision for the welfare system

- 42 You are asked to agree to the proposed objectives for the work obligations and sanctions system. The objectives incorporate previous decisions by Cabinet, the WEAG recommendations and previous direction provided by you through reports.

¹⁰Under current settings, sole parents on SPS can get an exemption from work obligations to study full time at levels 4 and above under the New Zealand Qualifications Framework.

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s9(2)(f)(iv)

44

Proposed options for change will be assessed against the proposed criteria

- 45 You are also asked to agree to the proposed criteria for the review. The criteria have been developed to ensure future options align with the proposed objective of the review. s9(2)(f)(iv)

s9(2)(f)(iv)

46

Links to other Government strategies and frameworks

- 47 The proposed objectives reference wellbeing, employment and caring for dependents. These concepts are defined and link to various Government and MSD strategies:
- New Zealand Employment Strategy
 - Child and Youth Wellbeing Strategy
 - The Treasury's Living Standards Framework
 - MSD's Employment and Investment Strategy
 - MSD's Te Pae Tawhiti, Te Pae Tata and Pacific Prosperity
 - New Zealand Carer's Strategy
- 48 The review will consider these strategies and related frameworks when developing and assessing options.

There will be implementation implications if the system is amended

- 49 Any changes to work obligations and sanctions will have financial and operational impacts. §9(2)(f)(iv)
- 50 Any changes to work obligations and sanctions will require amendments to the SSA. Further advice will be provided on legislative implications alongside policy options.
- 51 Impacts on MSD's IT systems and implementation timelines will be considered and included in the advice later this year. §9(2)(f)(iv)

Māori will be significantly impacted by any changes to the obligations and sanctions regime

- 52 Any changes made to the obligations and sanctions regime are likely to have a significant impact on Māori. This is because Māori are overrepresented in the welfare system, making up approximately 36 percent of all working people receiving a benefit as a primary benefit recipient and are at risk of long-term welfare dependency.
- 53 To ensure any proposed changes to the obligations and sanctions regime reflect the needs of Māori, we have referenced a whānau-centric approach to help Māori have a say in their pathway to independence and support them to achieve their aspirations in the proposed objectives. We have also included alignment with The Treaty of Waitangi and Kaupapa Māori values from MSD's working policy framework as part of the proposed criteria for assessing options.
- 54 §9(2)(f)(iv)

Te Pae Tata provides a valuable framework for considering future options for change

- 55 Te Pae Tata, MSD's Māori strategy and action plan, outlines three key shifts that need to occur to achieve better outcomes for New Zealanders. The three shifts are:
- Mana Manaaki: A positive experience every time – MSD will earn the respect and trust of Māori
 - Kotahitanga: Partnering for greater impacts – MSD will form genuine partnerships with Māori
 - Kia takatū tātou: Supporting long term social and economic development – MSD will support Māori aspirations
- 56 Te Pae Tata focuses on how these key shifts will be realised for Māori, in accordance with feedback from whānau, hapū and iwi. It will provide a useful framework during options development to ensure proposals are aligned with the three key shifts for Māori outlined in the strategy.
- 57 Amending the work obligations and sanctions regime to meet the proposed objectives will support the three key shifts through ensuring a whānau-centred approach that treats people with dignity and respect, providing for Māori to have a say in how the system operates and applies to them to support genuine partnership, and supporting long-term financial and economic development through supporting Māori aspirations and pathways to independence.

Through consultation on Te Pae Tata and by the WEAG, Māori have told MSD how the benefit system should support them

- 58 Through initial consultation on Te Pae Tata, whānau told us that Māori want:

- Good health – Whānau, hapū and iwi are active and healthy with positive physical, mental, spiritual, and cultural wellbeing
 - Success - Whānau, hapū and iwi are realising their potential and living their dreams
 - Aroha - Whānau, hapū and iwi are supported, cared for and protected
 - Economic security - Whānau, hapū and iwi have adequate incomes and resources to support quality standards of living
 - Connectedness - Whānau, hapū and iwi are valued and have a strong sense of place and belonging.
- 59 The work obligations and sanctions system impact all these areas. To meet the expectations of Māori, we will need to take these outcomes into account during options development.
- 60 MSD conducted further consultation with whānau (users of frontline services who identify as Māori), providers (both Kaupapa Māori and mainstream), and staff (Māori and non-Māori) on Te Pae Tata’s development. MSD received over 5,000 responses. Detailed analysis of the responses is in progress and will provide further evidence for how MSD can change the obligations and sanctions system to support the aspirations of Māori.
- 61 Through the WEAG consultation process, Māori identified the ongoing impact of colonisation as an underlying cause of welfare dependency, and that the welfare system is individualised and fails to consider the role of whānau. Through the same WEAG consultation process, Māori recommended significant improvements to the welfare system in its cultural awareness and responsiveness, providing opportunities for Māori to determine how their needs are met, and the inclusion of iwi in the design and delivery of welfare support.

Next steps

- 62 If you agree to the scope, objectives and criteria, we will develop options for amending the work obligations and sanctions regime to meet the proposed objectives. s9(2)(f)(iv)
- 63 s9(2)(f)(iv)
- 64 As we progress this work, we will consider whether different parts of the work obligations and sanctions system should be prioritised and could be progressed on a shorter timeframe.
- 65 We will provide you with a report on options for amending the obligations and sanctions regime in late 2021, including implementation considerations and, where possible, indicative costings. s9(2)(f)(iv)

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