

Chair
Cabinet Policy Committee

EXTENDING OPPORTUNITIES TO WORK

Proposal

- 1 This paper sets out proposals to extend opportunities to work through reforming Work and Income case management practice, active labour market programmes and the structure of working age benefits. It responds to Cabinet's request [CAB Min (04) 30/5A refers] to report back on the costs and benefits of the proposed reform and a proposed timetable for implementation of the reform, including dates for the introduction of legislation.
- 2 This paper asks the Committee (POL) to agree in principle to a Single Benefit, supported by a new service delivery model and more flexible active labour market programmes. I am proposing that:
 - a prototype of the new service delivery model start from May 2005, within existing legislation
 - officials report back to Cabinet by July 2005, with detailed proposals for a single benefit;
 - officials report back to Cabinet in December 2005 with proposed details for the medical and disability-related eligibility for the 'work development' stream, options for an integrated, cost-based disability payment, and detailed proposals for further reform of hardship assistance
 - consolidated legislation is introduced in July 2006
 - the single benefit is implemented from 2007

Executive Summary

- 3 With an unemployment rate of just 3.8%, New Zealand faces labour shortages, yet one in seven working age households has no-one in work. The numbers on Sickness Benefit (SB) and Invalids Benefit (IB) continue to rise steeply: SB increased by 10.6% and IB by 5.6% in the year to June 2004¹. The growth in SB and IB is part of a trend which has been underway in New Zealand for the past three decades. This is a common OECD experience. In 2003, the OECD concluded that "no single country in this review can be said to have a particularly successful policy for disabled people". But we must maintain the momentum of our social security reforms, and do better for these groups.
- 4 A strong economy relies on people reaching their potential in the labour market. Sustainable social development and economic growth depends on people achieving the right employment outcome at the right time. Most people can, with appropriate assistance, move into full-time employment relatively quickly. Others – like sole parents caring for their children – will be

¹ Source: Ministry of Social Development Information Analysis Platform (IAP). Figures for SB include Sickness Benefit Hardship (SBH).

balancing a range of responsibilities and goals that may take full-time work off the short-term agenda, but can plan for employment in the future. A few, including some people experiencing ill health or disability, may not be able to participate in paid employment. We need a social security system that:

- offers financial security to people who are not in work, and appropriate opportunities and incentives for people who can work to move into employment
- promotes a rapid return to work where possible, and backs that expectation with services that build capacity, place people in the right jobs, and support both clients and employers to ensure people get a secure foothold in the labour market
- recognises the diversity of people's individual needs and outcomes, without assuming that some people can't work because of the type of benefit they get.

5 We began the process of social assistance reform in June 2001 with the Government statement 'Pathways to Opportunity'. Working for Families and the new service for SB and IB recipients take us further down the reform path, but they do not go far enough. Too much of the system is still inherited from a past in which jobs were scarce, and it was assumed that categories of people, and particularly people with health conditions or disabilities, couldn't work and didn't want to work. If we take no action, current predictions are that by mid-2008 we could have more than 137,000 people on SB or IB. Expenditure on SB and IB would have risen from about \$1.45b in 2003/2004 to \$1.87b in 2007/2008.

6 The reforms I am proposing will:

- send a clear message that we are increasing opportunities and support for all beneficiaries who are able to work
- prototype a new service delivery model from May 2005 within existing legislation
- increase flexibility in the provision of active labour market programmes and support in the transition to work
- replace the existing working age benefits, which categorise people according to why they cannot work, with a Single Benefit designed around outcomes, supporting the new service
- reform the basis of extra help for people with ill health or disability. The presumption that people with ill health or disability need extra help because they cannot work would be replaced by the recognition that many face extra costs, both in and out of work
- reform hardship provision, reducing the administrative burden on case managers for the majority of cases and providing access to specialist services for those with high and complex needs, who make multiple claims for hardship assistance.

7 Officials estimate that social assistance reform will lead to savings in Vote: Social Development: Benefits and Other Unrequited Expenses of an indicative \$20m per year, rising to \$40-\$70m per year. These savings arise from people moving into work, not from cuts to benefit levels. These are conservative estimates: for every additional 10,000 people MSD helps into work, it is estimated that this would save around \$50m more per year. The reforms are expected to cost \$21m in one off implementation costs spread over six years, and settle at around \$8m per year in on-going costs. Given that further detailed work is still required, these estimates should be taken as indicative at this stage. In particular these indicative savings do not take account of the costs of integrating payments for people with ill health or a disability in and out of work. I propose that officials develop a range of options.

- 8 The proposed changes will be led by a new service delivery model that aims to assist people into the right job at the right time, right from the start. The new model will provide employment-focused assistance up front, instead of waiting until people are on benefit to help them into work. It will support people to achieve employment outcomes – whether full-time, part-time or intermittent – and increased social participation, such as work readiness activity, more social connection or increased contribution to the community. It will also include assistance to help people stay in work, and aim to help people find a new job before they have to go onto benefit.
- 9 I will report back on the detailed design of the new service model in April 2005. Using successful aspects of current service delivery as building blocks, I propose trialling key elements of the new model from May 2005 in 11 Work and Income sites, within existing legislation. Should legislative change be needed for further development of the service model, I would bring forward proposals, alongside those for the Single Benefit. I would expect to roll the service out nationally in 2006.
- 10 We need to continue down the Pathways to Opportunity that we set out in 2001, and finish building a social security system that puts opportunities to work, and security for those who cannot, at its heart.
- 11 I propose a Single Benefit to replace existing main benefits for people of working age. The Single Benefit would support people to achieve appropriate outcomes: a rapid return to full-time work, or work, development and preparation. For the small group of clients – such as those with very severe impairments or conditions – for whom it is not possible to participate in any employment-focused or development activity, the social security system will continue to provide financial assistance, access to appropriate services, and linkages with other agencies to address their health, housing and other needs.
- 12 Within the Single Benefit, the key outcome for a large group of our clients would be a **rapid return** to full-time work. This outcome ‘stream’ would also include some people for whom the timescale for return to work is slightly longer. This would include people undertaking work-focused training, or who are temporarily unable to work for health reasons.
- 13 **Work, development and preparation** would be the key outcome for those who, for a variety of reasons – including caring responsibilities, ill health or disability:
- would make a more gradual transition to work
 - need to work part-time or intermittently, either as a stepping stone or a permanent outcome
 - need to focus on a wider range of development outcomes before being able to return to work
 - are unable to participate in work, but may be able to participate in development activities.
- 14 Work is underway on a number of key issues. These include:
- improving incentives for people with ill health or disability who would currently go onto IB
 - setting appropriate expectations and outcomes
 - determining the boundaries of the Single Benefit, particularly with regard to youth and people who would currently go onto emergency benefits.
- 15 Further work, including consultation with people with ill health or disability and their organisations, will be needed on this reform over the next year. I propose that detailed decisions await the conclusions of that work. I will report back to Cabinet in December 2005,

with detailed proposals for legislative change to introduce the Single Benefit and support further service reforms. Consolidated legislation in 2006 would allow the Single Benefit to come in during 2007.

16 The structure of this paper is as follows:

Part One	Rationale, costs and benefits of reform	Paragraphs 17-37
Part Two	Key messages underpinning the reform	Paragraphs 38-39
Part Three	Service delivery: proposed reforms to the service delivery model	Paragraphs 40-61
Part Four	Active assistance: proposed changes to active labour market programmes and support during the transition to work	Paragraphs 62-70
Part Five	The Single Benefit: the structure of the proposed Single Benefit	Paragraphs 71-137
Part Six	Hardship: proposals to reform hardship provision	Paragraphs 138-142
Part Seven	Conclusions, including consultation, implications and publicity	Paragraphs 143-156

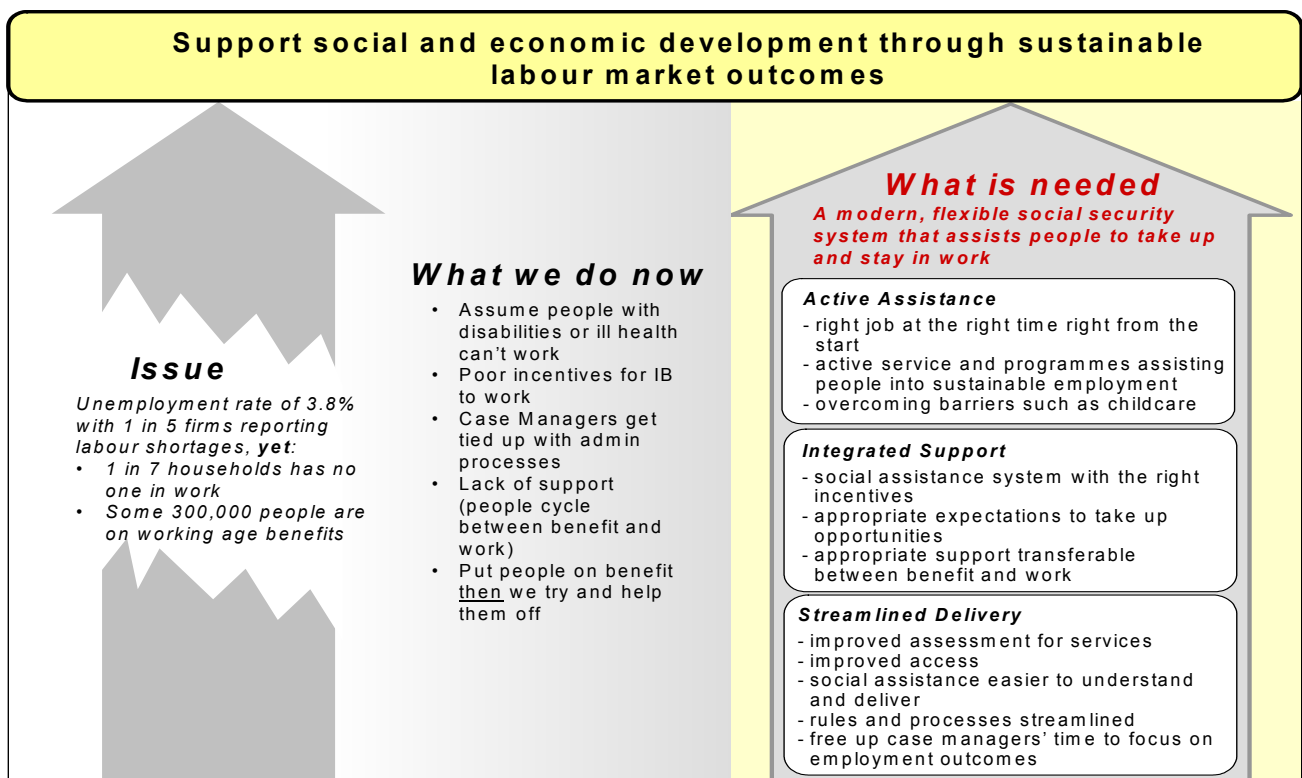
Part 1: Rationale, Costs and Benefits

Background

- 17 On 13 September, Cabinet agreed to the key planks, initial stages of work and objectives of social security reform, and invited the Minister of Finance and me to report back to the Committee (POL) before the end of December on the costs and benefits of the proposed reform and a proposed timetable for implementation of reform, including dates for the introduction of legislation, should the reform proceed [CAB Min (04) 30/5A refers].
- 18 This paper sets out the proposals that officials are developing for a Single Benefit, and associated reforms to Work and Income service delivery and the provision of active labour market programmes. The Minister of Finance has been consulted and agrees on these proposals to date. These form the basis of estimates of the costs and benefits of the proposed reform. Given that further detailed work is still required, these estimates should be taken as indicative at this stage. Savings arise from more people moving into work, not from cuts to benefit levels.
- the reforms are estimated to generate indicative savings in Vote: Social Development: Benefits and Other Unrequited Expenses of around \$20m per year, rising to \$40-\$70m per year
 - the reforms are expected to cost \$21m in one off implementation costs spread over six years, and settle at around \$8m per year in on-going costs. In addition, there will be costs from integrating payments for people with ill health or a disability in and out of work. I propose officials develop a range of options here.

- 19 This would be an investment in improving outcomes for people, rather than paying for them to remain on benefit. This package will improve the lives of some 300,000² working age New Zealanders in the social security system, too many of whom are on benefit when they would like to be in work³. Individuals will receive a better service, tailored to their needs and offering support back into sustainable work from the start. We will support people in their social development and connect them with wider Government services. The reforms will also help employers to fill their vacancies, allowing their firms to expand and supporting economic growth and Government's economic strategy.
- 20 To secure these gains, we need to undertake fundamental reforms to the nature of the social security system. The Single Benefit offers an opportunity to rewire the system around outcomes, but this will require hard choices. In particular, we need to bring support for people with ill health or disability into the Single Benefit, on the same core rates as other beneficiaries. We need to shift the basis for extra support away from a presumption that people with ill health or disability cannot work, and towards recognition that many face extra costs, both in and out of work. Without this change, we will not obtain the advantages of the Single Benefit. We will also need to be innovative in addressing the consequences of change: excessive grandparenting would run counter to the purpose of reform, and limit the gains to be made.
- 21 Figure One sets out what we are trying to achieve:

Figure One: Social assistance reform



² Source: Ministry of Social Development Information Analysis Platform (IAP). As at 27 November 2004 there were 314,145 people in receipt of all benefits, excluding New Zealand Superannuation (NZS), Veterans Pension (VP), Orphans Benefit (OB) and Unsupported Child's Benefit (UCB).

³ According to the OECD, up to two thirds of people who are economically inactive (ie neither working nor available and looking for work) would like to work, if the right conditions exist. *Towards More and Better Jobs*, presentation by Raymond Torres to the Social Policy, Research and Evaluation Conference, Wellington, 26 November 2004.

Increasing Labour Market Participation

- 22 With an unemployment rate of just 3.8%, New Zealand faces labour shortages. The New Zealand Institute of Economic Research reports capacity utilisation at 93%, the highest level in over 40 years. Labour is a key constraint on firms' ability to expand, with one in five employers reporting labour as the single factor most limiting their ability to increase turnover⁴.
- 23 At the same time, one in seven working age households has no-one in work. Sickness Benefit and Invalids Benefit (SB and IB) are now the largest group of working age beneficiaries. Unemployment Benefit (UB) makes up only 20% of the working age total. Despite the widespread availability of jobs, the numbers on SB and IB continue to rise steeply: SB increased by 10.6% and IB by 5.6% in the year to May 2004⁵. The growth in SB and IB is part of a trend which has been underway in New Zealand for the past three decades. This is a common OECD experience. In 2003, the OECD concluded that "no single country in this review can be said to have a particularly successful policy for disabled people". But we must maintain the momentum of our social security reforms, and do better for these groups. New Zealand's labour market participation rate exceeds the OECD average and is currently at an 18-year high⁶, but remains "five to ten percentage points short of the OECD's star performers."⁷
- 24 Work is already underway to ease skill and labour shortages and improve New Zealanders' participation in employment. A medium-term skill and labour strategy, alongside initiatives to improve women's labour market participation and utilisation, can be expected to improve the contribution of the labour market to per capita economic growth [POL Mins (04) 28.5.1, 28.5.3 and 28.5.4 refer]. These initiatives will also contribute to an emerging vision around Government's role in establishing and maintaining a well-functioning active labour market. To be effective, they need to be matched by a focus on the social security system itself: how Government helps people who are not in work through income support and active labour market programmes, and the assumptions and incentives within this system.
- 25 A strong economy relies on people reaching their potential in the labour market. Sustainable social development and economic growth depends on people achieving the right employment outcome at the right time. Most people can, with appropriate assistance, move into full-time employment relatively quickly. Others – like sole parents caring for their children – will be balancing a range of responsibilities and goals that may take full-time work off the short-term agenda, but can plan for employment in the future. A few, including some people experiencing ill health or disability, may not be able to participate in paid employment. We need a system that is flexible enough to appropriately assist all these people – a system that:
- offers financial security to people who are not in work, and appropriate opportunities and incentives for people who can work to move into employment

⁴ New Zealand Institute of Economic Research, *Quarterly Survey of Business Opinion October 2004*.

⁵ Source: Ministry of Social Development Information Analysis Platform (IAP). Figures for SB include Sickness Benefit Hardship (SBH).

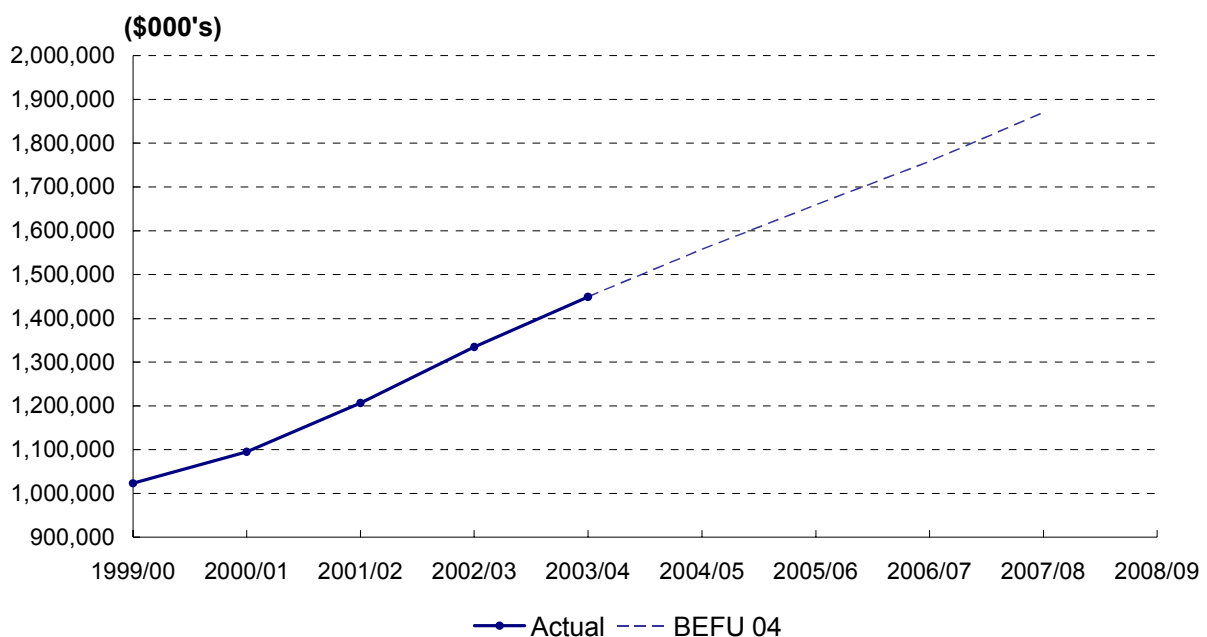
⁶ Statistics New Zealand, *Household Labour Force Survey: September 2004 Quarter*.

⁷ Organisation for Economic Cooperation and Development, *OECD Economic Surveys New Zealand 2003*, p 23.

- promotes a rapid return to work where possible, and backs that expectation with services that build capacity, place people in the right jobs, and support both clients and employers to ensure people get a secure foothold in the labour market
- recognises the diversity of people's individual needs and outcomes, without assuming that some people can't work because of the type of benefit they get.

- 26 In June 2001, the Prime Minister and I signalled the Government's intention to overhaul social security with the Government statement 'Pathways to Opportunity'. In the three years to June 2004, the numbers on UB fell by over 55,000. Working for Families should contribute further to helping parents move from benefits into work: recent UK research suggests similar reforms there have increased sole parent employment by seven percentage points⁸.
- 27 Where we have made reforms we have been successful. More New Zealanders are in work today than ever before. But too much of the system is still inherited from a past in which jobs were scarce, and it was assumed that assumed categories of people – particularly people with health conditions or disabilities – couldn't work and didn't want to work.
- 28 If we take no action, current predictions are that the number of people on ill health or disability-related benefits will continue to rise even in the current economic climate. By June 2008, we could have more than 137,000 people on SB or IB. Expenditure on SB and IB would have risen from about \$1.45b in 2003/2004 to \$1.87b in 2007/2008, as shown in the following graph:

Figure Two: Sickness Benefit and Invalids Benefit expenditure forecast to June 2008⁹



- 29 Cabinet has endorsed a new service for SB and IB recipients [CAB Min (04) 30/5 refers]. I propose we go further in developing a new service model across all benefit recipients with a greater emphasis on the right job at the right time, right from the start. This will build on the

⁸ Francesconi, M. and van der Klaauw, W. *The Consequences of 'In-Work' Benefit Reform in Britain: New Evidence from Panel Data*, IZA Discussion Paper No. 1248, Institute for the Study of Labor: Bonn.

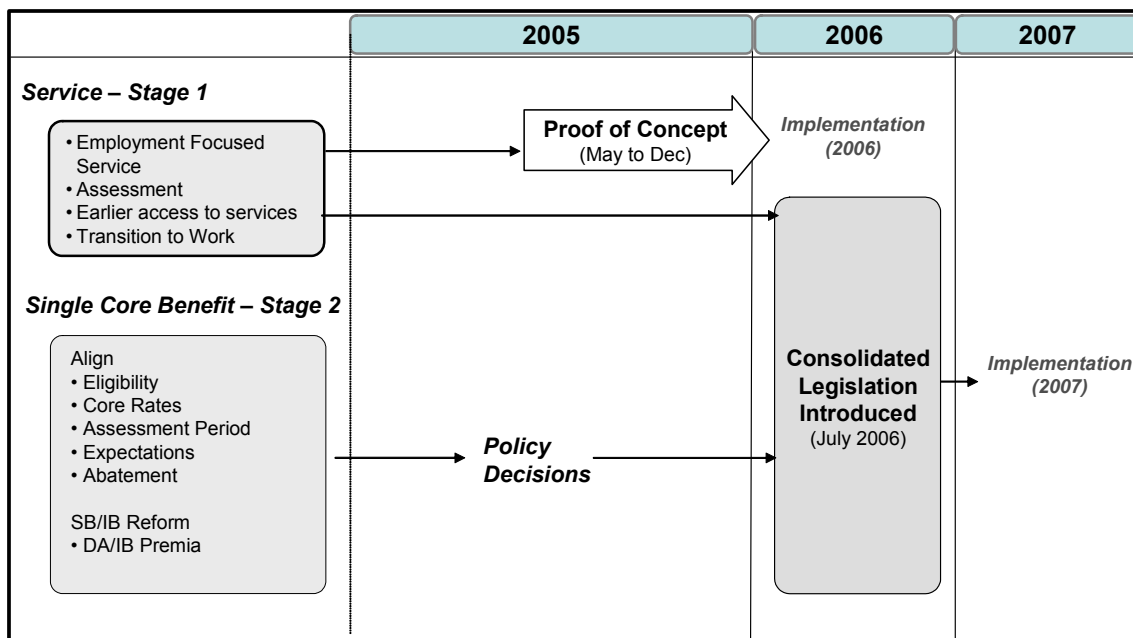
⁹ The BEFU 04 line shows the BEFU 04 forecast, finalised in April 2004. These figures are gross of taxation and after deductions for debt establishments and overseas pension recoveries.

success of Work and Income initiatives such as the WRK4U seminar, which has reduced the numbers of people coming onto UB by up to 20%¹⁰. But there is only so much that changing the service mix can achieve. We need to continue down the Pathways to Opportunity that we set out in 2001, and finish building a social security system that puts opportunities to work, and security for those who can't, at its heart.

30 Figure Three sets out the reforms I am proposing. These proposals will:

- send a clear message that we are increasing opportunities and support for all beneficiaries who are able to work, and providing security for those who cannot
- prototype a new service delivery model from May 2005 within existing legislation
- increase flexibility in the provision of active labour market programmes and support in the transition to work
- replace the existing working age benefits, which categorise people according to why they cannot work, with a Single Benefit designed around outcomes, supporting the new service. I propose to report back to Cabinet towards the end of 2005 with detailed proposals for legislation to be introduced in 2006
- reform the basis of extra help for people with ill health or disability. The presumption that people with ill health or disability need extra help because they cannot work would be replaced by the recognition that many face extra costs, both in and out of work
- reform hardship provision, reducing the administrative burden on case managers for the majority of cases and providing access to specialist services for those with high and complex needs who make multiple claims for hardship assistance.

Figure Three: Proposed reforms and timetable



¹⁰ Reduced onflows to UB arise due to providing links to work before granting benefit, in an environment of fast job creation.

Costs and Benefits

- 31 By improving services and changing incentives, we expect more people to move off benefit into work, and fewer people to need to come onto benefit in the first place. Because more New Zealanders would be in work, and fewer on benefit, there will be gains to the taxpayer, to firms and to individuals. But estimating such gains is not straightforward. What we are proposing is at the cutting edge of welfare reform: estimates of impacts are therefore based on necessarily limited evidence from comparable measures in other countries. Given that further detailed work is still required, these estimates should be taken as indicative at this stage.
- 32 Officials have therefore taken a deliberately cautious approach. Where a range of impacts is suggested, impacts towards the bottom of that range have been assumed. Officials have calculated only savings to the taxpayer from reductions in benefit spending and greater income tax and Accident Compensation Corporation (ACC) contributions paid. There would also be further gains: for firms in filling their vacancies more quickly, for individuals and families through higher incomes and better lives, and for communities through more active participation and higher local employment rates. These would be over and above the gains that officials have estimated.
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- 36 In contrast to the benefits of this package, the costs are predominantly one-off, incurred mostly in setting up new systems and processes. We expect a series of relatively large one-off costs as various elements are introduced, followed by relatively low ongoing costs.
- 37 In aggregate, the one-off costs are estimated to be approximately \$21m spread over six years, with the bulk of the cost being incurred in the 2006/2007 fiscal year. This would be followed by ongoing costs that are inflated by initial operational requirements for the single benefit in 2007/2008, and settle at around \$8m from the second full year of implementation. In addition, there will be costs associated with integrating payments for people with ill health or a disability in and out of work. It has not been possible to estimate these costs ahead of discussions with people with disabilities and other stakeholders on the design of an integrated payment. I propose that officials develop a range of options once discussions have taken place.

Part 2: Key Messages

Work for Those who Can, Security for Those who Cannot

- 38 Social assistance reform offers an opportunity to promote a number of key messages, to beneficiaries, to employers and to New Zealanders as a whole. The core messages are:
- many people on benefits want to work, and have the potential to work: whether full-time, part-time or intermittently, as a short-term or long-term outcome
 - we will continue to ensure financial security, and offer appropriate opportunities and services, to people who cannot work

- by supporting people to stay in work or to get into work, we are improving social and economic outcomes for individuals and their families. In turn, this supports economic growth by increasing labour supply and improving skills.

39 Specific messages will include that we are focusing on:

- getting people the right job at the right time, right from the start
- providing active services and programmes to assist people into sustainable employment
- increasing flexibility of assistance, with access to services no longer being tied to benefit type or the duration on benefit
- how the individual **can** work rather than why they can't, and providing appropriate incentives and support to take up opportunities
- providing individualised assistance: matching the services to the client, rather than the client to the services
- making social assistance easier to understand and deliver, and freeing up case managers' time to focus on employment outcomes
- helping people stay in jobs and prevent them needing a benefit, rather than waiting until they are on benefit to assist them
- working with employers to achieve sustainable employment outcomes
- ensuring that those whose health conditions or disabilities preclude any work, are exempt from any work expectations, but are provided services to improve their quality of life.

Part 3: Service Delivery

The Right Job at the Right Time, Right From the Start

- 40 Services for people on benefit have, in the past, focused mainly on paying income support. Ensuring that clients receive the support they are entitled to will always be a core component of Work and Income's service, but it doesn't prepare people to achieve sustainable employment and improve social and economic outcomes for beneficiaries and their families.
- 41 A number of initiatives are underway to make services for people on benefit more focused on work¹¹. Through the Work Services Model, Work and Income is realigning its services towards helping people into sustainable employment. The model involves working with industry to establish labour needs, providing effective assessment for clients, and testing clients' skills against industry requirements. Two key components were implemented in 2003/2004:
- The WRK4U seminar gives prospective benefit applicants consistent information up front about Work and Income assistance and work test obligations, and encourages independent job search. The impact of WRK4U seminars has been a 10-20% reduction in the number of people coming onto UB¹²

¹¹ Ministry of Social Development, *Initiatives to Assist People on Benefits to Find Work*, paper to Cabinet Economic Development Committee, 13 October 2004 [EDC Min (04) 20/2 refers].

¹² Reduced onflows to UB arise due to providing links to work before granting benefit, in an environment of fast job creation.

- The jobz4u tool improves matching and placement services for clients and employers and ensures a better fit between job seekers' skills and work experience, and employers' requirements.
- 42 We have also begun to extend employment services to a broader group of beneficiaries. The new service that the Ministry of Social Development (MSD) is developing for SB and IB recipients, recently endorsed by Cabinet [CAB Min (04) 30/5 refers], will provide these clients with a broad menu of options and enable the development of tailored packages of employment-focused assistance to meet individual needs. The paper, *Security and Opportunity – Health, Disability and Employment: A New Service for Sickness and Invalids Benefit Recipients: Next Steps*, set out progress in extending employment-focused services to people on SB or IB [SDC Min (04) 31/1, SDC (04) 196].
- 43 While these initiatives represent good progress, there is still more work to be done. The way Work and Income delivers services to its clients remains overly:
- **focused on income, not employment:** about 70% of case managers' time is spent on income support processing, and only 30% on employment¹³
 - **reactive:** there are insufficient strategies to help people who are in work to remain in employment, or to alleviate their need to apply for benefit (for example, by helping them find another job without moving onto benefit)
 - **driven by benefit type, not by individual circumstance:** employment-focused services are not generally available to people until they are in receipt of benefit, and even then the kind of assistance they can receive is determined by their benefit type.

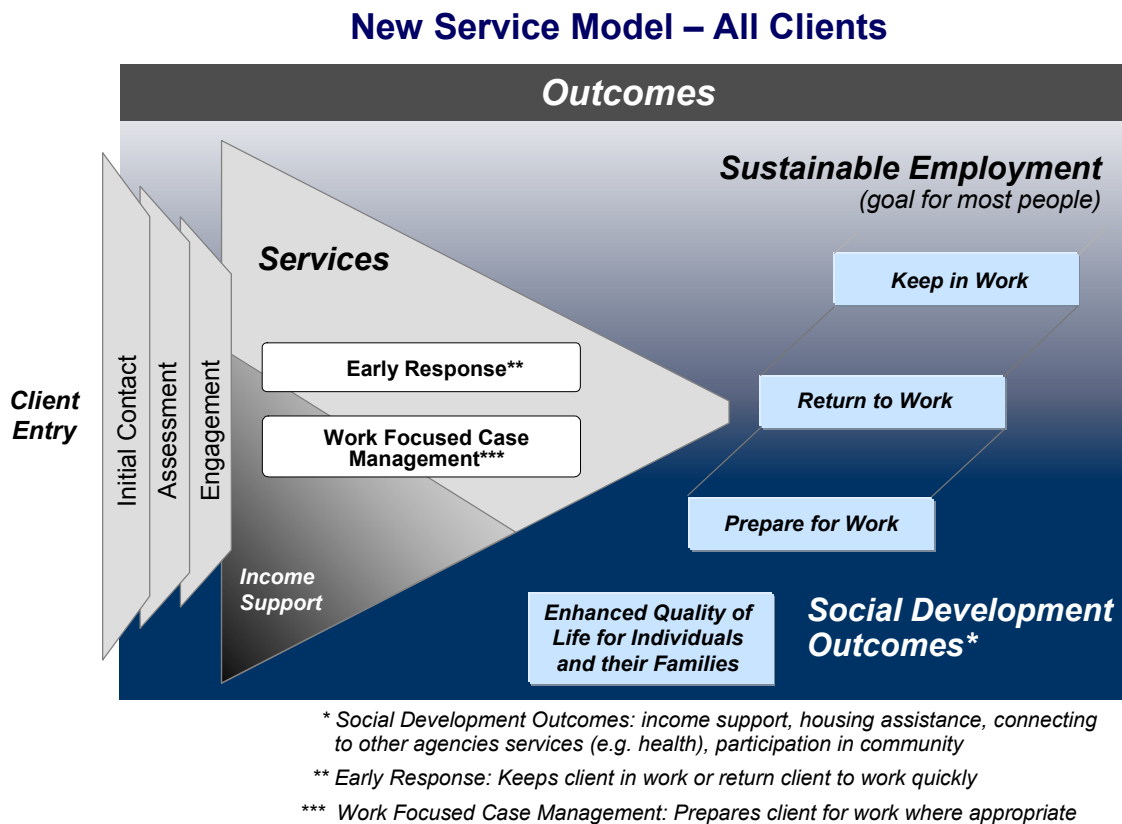
Where We Want To Be

- 44 I propose that as part of social assistance reform, we develop a new service that focuses on the right job at the right time, right from the start. We will focus on getting people back to work immediately, where possible bypassing the need for benefit altogether. Where someone needs to come onto a benefit we will, of course, ensure that they can do so. But where work is an option, there will be an assessment of what we and they can do to ensure that their stay on benefit is, wherever possible, a temporary one.
- 45 The new service model I am proposing would have the following key objectives:
- enabling people to move into sustainable employment
 - supporting people who can't work now to move towards employment, and increase their independence and participation
 - making work pay: supporting people to stay in work, and to change jobs without needing to get a benefit.

¹³ Ministry of Social Development, *Security and Opportunity – Health, Disability and Employment Paper Two: Future Directions Phase 2: Extending Opportunities to Work*, paper to Cabinet Social Development Committee, 8 September 2004 [SDC Min (04) 21/1.2 refers].

46 The proposed new service model is shown in the following diagram:

Figure Four: The proposed new service model



- 47 The new service model would start with the client, not the benefit, and build services around the outcomes that clients **can** achieve. We will work with clients to assess their circumstances, rather than making assumptions on the basis of their benefit type. We will focus on employment outcomes up front, working with the client at the earliest appropriate contact, to identify the right outcomes within the framework of appropriate expectations. We will use consistent assessment tools to identify clients’ diverse needs and outcomes, and select the right assistance from a broad range of services. Where appropriate, this will also involve connecting clients with other services and expertise that can meet their needs, such as health, housing or education.
- 48 We will take a broad perspective, working with clients in the context of their daily lives, providing services that improve outcomes for the client’s wider family unit, and working with employers to make services responsive to the demand for skills and labour. We will also take the long view, working with clients and employers through to sustainable outcomes.
- 49 The new service model will build on our successes, making existing elements of our service more widely available as well as introducing new elements. It will extend employment-focused assistance to clients regardless of their benefit type, making WRK4U seminars and the jobz4u matching and assessment tool – currently accessed mainly by UB clients – available to any job-seeking client where appropriate. Its stronger demand-side focus will draw on the service for employers that is being developed as part of the new service for SB and IB recipients [CAB Min (04) 30/5 refers].

What will the full new service look like if I'm an employer?

If I get in touch with Work and Income needing staff, I can tell them the kinds of skills and experience I need in an employee, so that I get referrals from people who can do the job or who I will be able to train to do the job. If I'm an employer in an industry that often lists vacancies with Work and Income, they can do a search of their talent pools to help me find people quickly.

If I have staff who are experiencing changes in their lives that are affecting their employment, we can contact Work and Income. An employee who is sick or has a disability might need extra support to do the job: Work and Income can work with us to make it easier to keep that employee in work, and can also put us in touch with other services that can help.

When I hire someone who was on a benefit, Work and Income will keep in touch with both of us to see if the referral is working out, and help us resolve any problems that come up or link us to other services.

Key elements

50 The key elements of the new service model will be:

- **assessment:** a basic initial assessment to identify client outcomes, appropriate services and expectations, supported by ongoing assessment of clients' circumstances, as well as collecting the information we need to process benefit entitlement
- **matching:** tools such as jobz4u to match clients' skills and experience to suitable jobs in their local labour market
- **readiness:** assistance to help people become more work ready and increase their social participation, including employment-focused seminars and support groups to build confidence
- **linking:** assistance to connect people with other agencies or service providers that deliver services they need, and processes for sharing information and resources and determining which agency should take the lead in providing services to a client
- **retention:** assistance to clients and employers to help people stay in work, and help them change jobs without entering the benefit system
- **advancement:** assistance to help people move into better quality employment.

51 The retention and advancement elements in particular represent a significant extension of Work and Income's current services. Their key focus will be post-placement support for clients recently placed in work and their employers, and support for people whose jobs are coming to an end, or who are at risk of moving onto benefit. There is scope for existing Working for Families teams to identify people in work who are in need of additional support. The detailed development of the new model will consider the appropriate extent of these service elements further.

52 The key elements of the model will combine in different ways to develop a service that is tailored to clients' circumstances. A basic initial assessment of the client's circumstances and appropriate expectations will identify an immediate outcome for them – helping them remain in work, return immediately to work, or prepare for work. The initial assessment, or subsequent services, may point to the need for a more complex assessment – either because the client's circumstances are complex, or because they are changing.

- 53 The assessment will also enable us to identify where we cannot help a person remain in work or return immediately to work, and therefore need to process a benefit application. System changes will allow us to capture clients' first contact, and backdate entitlement to that point if the client does go onto a benefit.
- 54 Services will be available to support each of the identified outcomes. These might include:
- in-work financial support to help people remain in work
 - seminars, vacancies and work brokers to help people return immediately to work
 - flexible access to active labour market programmes, so that all clients – including Domestic Purposes Benefit (DPB), SB and IB recipients – will be able to access appropriate assistance to help them prepare for work.
- 55 The level of service that a client receives will depend on their circumstances. We will spend relatively little on someone who simply needs access to vacancies that they can readily secure. But we will be prepared to invest more where we can move someone from a path of long-term benefit receipt onto a pathway to work.

What will the full new service look like if I'm unemployed?

If I'm unemployed and can start work right away, Work and Income will talk with me about my circumstances and what help I need. I'll attend a seminar that tells me what kinds of jobs are available in my area, what help I can get to look for work, and what I need to do to get a benefit.

Work and Income will talk with me about my skills and work experience and start matching me up to jobs. I might even get a job before I'm due to start getting a benefit. Whether I get a job or go onto benefit, Work and Income can put me in touch with other agencies to make sure I'm getting all the help I can.

If I go onto benefit, my case manager will work with me to put together a plan to help me get a job. We'll agree on the kinds of things that I will do, like putting together a CV, looking at job vacancies and getting in touch with employers. We'll also agree on the help that my case manager will give me, like referring me to suitable jobs.

When I get a job, it doesn't mean that the help stops:

- Work and Income will keep in touch with me to make sure the job is working out and help me resolve any problems I'm having, for example with transport.
- Even though I've got a full-time job, I might still be able to get financial help. Work and Income will help me get everything I'm entitled to, like assistance with childcare, Accommodation Supplement, and (from April 2006) In-Work Payment.

What will be different?

- 56 The key points of difference between current services and the new service model are:
- **employment-focused assistance will start early:** Work and Income will assess clients' wider circumstances and start providing appropriate employment-focused services at the same time as assessing eligibility for income support, instead of waiting until after they are on benefit to help them into work

- **outcomes will define services:** clients will receive assistance tailored to the outcome that is appropriate given the expectations on them and their circumstances: full-time, part-time or intermittent employment, or increased social participation
- **the service will help people in work stay in employment, and alleviate the need to apply for benefit:** for the first time, Work and Income will offer formal assistance to help people already in work to stay in employment. For people whose job is coming to an end, the new service will aim to help them find a new job before they have to go onto benefit.

What will the full new service look like if I'm sick?

Work and Income will talk with me about my circumstances and what I need help with: income support while I get well, and assistance to keep my job or get work once I've recovered.

If I already have a job, Work and Income will help me and my employer look at options that may keep me in work or keep my job open. My case manager will organise payment of benefit, and talk to me about what other support I need while I recover.

If I don't have a job but want to work, Work and Income will organise payment of benefit and talk with me about what services I need to help me move towards work:

- If I can work some of the time right away, my case manager will work through some questions with me about my skills and experience, and do a search of their vacancies to see if there are any jobs I match up with. If I need more skills, or I'm not confident about working or looking for work, my case manager can help me find training or refer me to a seminar about how to apply for jobs.
- If I can't work at all right now, but will be able to work once I'm well, Work and Income will help me do what I can to get ready for work. I might be able to attend a local support group to help me keep in touch with other people and keep my confidence up while I'm out of work. My case manager will make sure someone keeps in touch with me regularly to find out how I'm doing.

Where we will start

57 We will use successful aspects of current service delivery as building blocks for an innovative new service model. The first step is to trial key elements of the new model, within existing legislation, starting in May 2005 in 11 Work and Income sites. I propose reporting back to SDC in April 2005 on the detailed design of the new service model. Should we need legislative change to support further development of the service model, I would bring forward proposals alongside those for the Single Benefit. Once we have got the elements right, I would expect to roll the service out nationally in 2006.

Building staff capability

58 The new service model represents a significant change in the way that Work and Income assists people on benefit, and will demand more of its service delivery staff. A People Capability Strategy has been developed and is currently being implemented to ensure that staff have the capability to deliver services to clients within the social development context. This outlines four specific strategies:

- **increasing the capacity of case managers and work brokers** to work constructively with clients by ensuring leadership and support is available when required
- **a recruitment, career development and remuneration system** that attracts and retains highly skilled staff
- **a training and development approach** that will include upskilling case managers to ensure they can provide assistance appropriate to the specific needs of different clients. A Client Management qualification has been introduced, and Work and Income aims for all current case managers to have completed their training and be qualified within the next three years
- **a performance management system** that encourages good practice, and processes that reward and recognise good performance.

Helping people on DPB back into work

59 Alongside these changes, I propose to increase the work focus of the enhanced case management and planning process for clients on DPB and Widows Benefit (WB). MSD has recently introduced updated policy guidelines for DPB/WB case managers, including:

- reinforcement of existing quality assurance standards for Personal Development and Employment Plans
- more guidance around what makes a quality Plan, including sample action steps
- recommended responses to different client scenarios.

60 I propose that we look at going further within existing legislation. This could include:

- a clearer explanation of client goals: currently, guidelines state that 'goals may be focused on strengthening any aspect of a client's life'
- where appropriate, wider use of job seeker assessment and matching tools
- increased emphasis on distinguishing prerequisites to employment (such as health, housing and childcare needs) from specifically employment-focused activity, so that addressing basic needs could be seen more clearly as a first step on the path to employment
- less emphasis on training goals and action steps, except where these link to an identified and realistic employment goal
- separating the annual benefit review from the review of the Plan, to ensure a more substantial review process, and increase the employment focus of the Plan review interview.

61 I propose that officials report back to me, the Minister of Women's Affairs and other appropriate Ministers by September 2005, with firm proposals to increase, within current legislation, the work focus of the enhanced case management and planning process for DPB and WB clients.

62 Officials are working to trial improvements to the existing enhanced case management process. MSD officials will report back to me in May 2005.

Part 4: Active Assistance

More Flexible Support

- 63 At the heart of social assistance reform is the extension of opportunities to work for all beneficiaries, not just UB recipients. Currently the active labour market assistance provided through MSD is primarily targeted to long-term registered job seekers, who are mainly UB clients. The take up of employment assistance by people in receipt of DPB, SB and IB is relatively low.
- 64 I am proposing that the eligibility criteria for employment programmes and services be amended to facilitate more access by non-UB clients to employment and training programmes. The key aim will be to shift the targeting of employment and training assistance so that it is based on factors that indicate labour market disadvantage, not on factors associated with benefit type.
- 65 There is also a need to look at the eligibility criteria for some specific programmes, such as Work Track¹⁴, which is available to some benefit groups and not others. Decisions about which assistance is provided would still take into account the available evidence on the relative cost-effectiveness of different programmes for different groups of clients.
- 66 To encourage effective use of available programme resources, and to improve employment outcomes for non-UB clients, the eligibility criteria for programmes need to be aligned with MSD performance measures. MSD is currently working on developing new sustainable employment outcome measures for non-work tested clients, and is due to report back to me in March 2005.
- 67 No additional funding is being sought for these proposals. I propose that officials report back to me by April 2005 with proposals to amend eligibility rules for employment programmes. This would require changes to the Ministerial Guidelines for Employment Programmes and Services. If changes to the Cabinet Guidelines were required, I would bring proposals to Cabinet following this.

Support to Work

- 68 We currently have four programmes competing to do the two basic tasks of assisting people to move into and retain work¹⁵. The result is a system that is too complex, outdated, lacks coherence and contributes to poor take-up. We need a single new programme that:
- is flexible enough to respond to whatever barriers to work a particular individual may be experiencing
 - is focused on sustainable employment
 - functions as a useful tool for case managers to provide clients with support in the transition process
 - provides clear information to clients to ensure transparency around the support that is available for work transition choices

¹⁴ Work Track is a three week programme that covers work search skills and techniques for clients who are at risk of becoming long term unemployed.

¹⁵ These programmes are Work Start Grant, Pathways Payment, New Employment Transition Grant, and Seasonal Work Assistance.

- is simple to administer and accessible to case managers.

69 I am proposing a single new Support to Work programme to replace the existing Work Start Grant, Pathways Payment, New Employment Transition Grant, and Seasonal Work Assistance. The new programme's objectives would be to achieve sustainable employment. The programme would have two parts – transition and retention:

- **transition** to work. This part would provide support to overcome the costs of moving into employment
- **retention** in the work place. This part would aim to reduce the impact of loss of income due to circumstances which cannot be reasonably controlled by the client while in employment.

70 These programmes are currently covered by a mixture of Ministerial Welfare Programmes as well as Cabinet Guidelines for Work Transition Grants. Officials propose that the four welfare programmes be revoked and replaced with a new Support to Work welfare programme, and that the Direction on Pathways Debt Recovery Suspension be revoked and replaced with regulations made under section 132G of the Social Security Act 1964. I will bring forward proposals to Cabinet including changes to Cabinet Guidelines.

71

Part 5: The Single Benefit

72 The Single Benefit would replace existing benefits for people of working age: Unemployment Benefit, Sickness Benefit, Invalids Benefit, Domestic Purposes Benefit and Widows Benefit. It would also have implications for the Emergency Benefit (including Emergency Maintenance Allowance) and Independent Youth Benefit (IYB). New Zealand Superannuation (NZS), Orphans Benefit (OB) and Unsupported Child's Benefit (UCB) would not be affected.

73 This work has proceeded on some fundamental assumptions about the nature of welfare provision in New Zealand:

- that the basis of assessment (ACC aside) will remain need, with income (and in some cases asset) tested benefits. Within these limits, eligibility will be predominantly entitlement-based with limited discretion
- that the unit of assessment will remain the current benefit unit (ie a single person or couple, and any dependent children)
- that social assistance will remain national, delivered through Work and Income and Studylink. Aspects of the system, eg rates of Accommodation Supplement, may vary across the country, but those variations will be stipulated nationally.

An Outcome Focused Benefit System

74 For main benefits, a rule-based approach is efficient, fair and accountable:

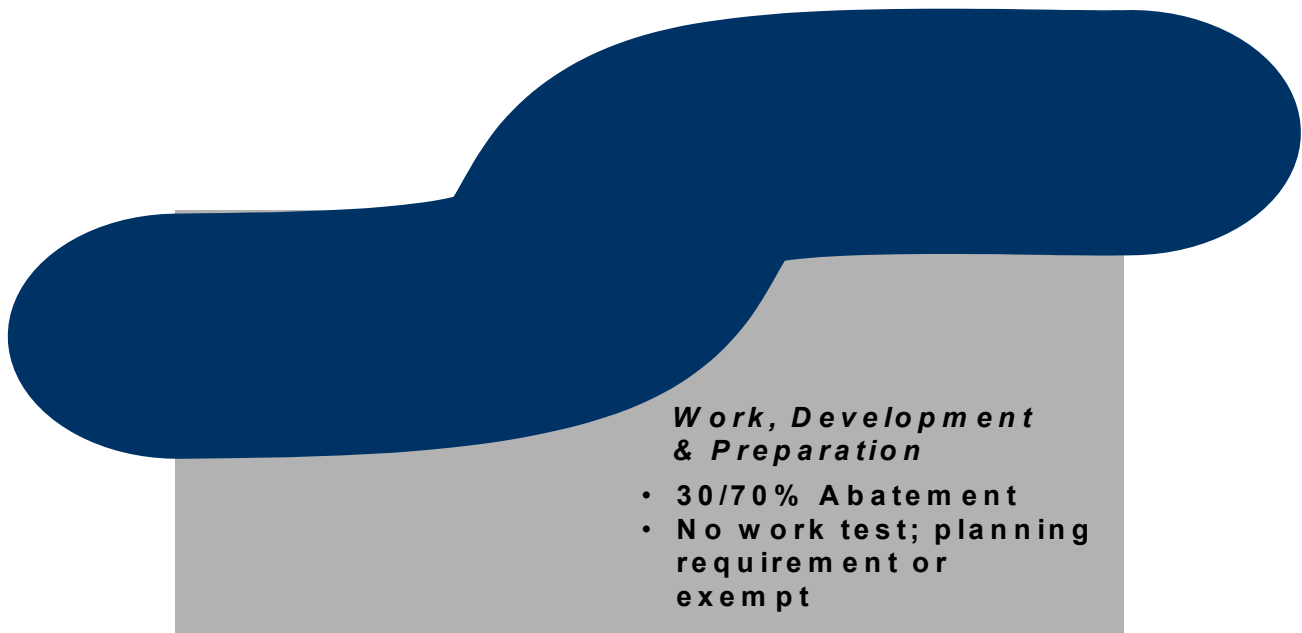
- rules are much easier to manage than discretion: a rule-based benefit frees up case manager time to deliver a flexible, tailored, service
- rules ensure that similar people receive similar support

- rules ensure Parliament, rather than unelected officials, decide on the redistribution of taxpayer's money.
- 75 But too often the rules get in the way of achieving outcomes. The challenge is to design the rules to support the outcomes, instead of trying to achieve the outcomes despite the rules.
- 76 Most people on benefits want, and are able, to enter sustainable employment. I propose building the Single Benefit around the two broad sets of outcomes that clients can achieve: a rapid return to full-time work; or work, development and preparation.
- 77 The **rapid return to full-time work ('rapid return')** outcome would be for the large group of our clients whose key outcome is a return to full-time work as soon as possible. It would also include some for whom the timescale is slightly longer. This would include people undertaking work-focused training, or who are temporarily unable to work for health reasons.
- 78 The **work, development and preparation ('work development')** outcome would be for those who, for a variety of reasons – including caring responsibilities, ill health or disability:
- would make a more gradual transition to work
 - need to work part-time or intermittently, either as a stepping stone or a permanent outcome
 - need to focus on a wider range of development outcomes, such as increased social or community participation, before being able to return to work
 - are unable to participate in work, but may be able to participate in development activities to increase their social connections or community participation.
- 79 For a small group of clients, such as those with very severe impairments or conditions, it will not be possible to participate in any employment-focused or development activity. Work and Income will continue to ensure they have the financial security they need by assessing and providing full and correct benefit entitlement.

The Basic Structure

- 80 Figure Five below sets out areas where we believe rules can be aligned across the Single Benefit, so that all claimants would face the same set of eligibility rules. We propose two streams where we think the different outcomes would better be supported by differences in the rules. These different rules are about the incentives and obligations to seek and take up work.
- 81 Further detailed work will be needed on a number of aspects. I propose that detailed decisions await the conclusions of that work. These proposals will inform that work, and form the basis of the work on costs and benefits above (at paragraphs 31-37).

Figure Five: The Proposed Single Benefit



82 The rest of this section of the paper looks at key issues in the Single Benefit design:

- improving incentives for people with ill health or disability who would currently go onto IB
- setting appropriate expectations and outcomes:
 - determining the appropriate outcome stream for individuals within the Single Benefit
 - expectations within the streams
- determining the boundaries of the Single Benefit
 - Youth
 - Emergency Benefits.

Improving Incentives for People with Ill Health or Disability

83 Our system of support for people with ill health or disability is based on the presumption that they cannot work. More than this, the incentives within the system are such that people with a health condition or disability are encouraged to distance themselves as much as possible from the labour market. Those who do try to return to work from IB find that the incentives lock them into part-time work and offer almost no viable route off benefit. Although we know that many people with ill health or disability want to work, and would be better off and healthier in work, our system actively encourages them not to work. In the strongest labour market for decades, the number of people with ill health or disability claiming benefits continues to rise.

84 I propose a fundamental shift in the way the benefit system supports people with ill health or disability. This would build on, and support, the wider work of the New Zealand Disability Strategy. We should disentangle eligibility for ill health or disability-related support from whether or not a person can work. Estimates from the United States suggest that a 10%

increase in the value of disability benefits increases the number of awards by around 4%¹⁶. Instead of paying people a higher rate of benefit if they demonstrate their incapacity to work, we would shift the basis of extra support for people with ill health or disability to meeting extra costs, both in and out of work. This payment would incorporate Disability Allowance (DA) which already provides some help in this area.

- 85 It is sometimes argued that people on IB need a higher benefit because they will be on benefit for longer. This argument has never been consistently expressed in the benefit system: the difference in rates is independent of duration, and long-term beneficiaries on other benefits do not receive it. Moreover, third tier assistance also provides for needs that build up over time on benefit, regardless of main benefit type. We need to move away from assumptions that people with ill health or disability are necessarily destined to long periods on benefit. We could introduce a general premium for long-term claimants of the Single Benefit, if we wanted to, but I do not think this would support our objectives of increasing labour supply.
- 86 I propose that we:
- abolish the 15 hour rule, which states that people are not eligible for IB unless they are 'incapable of regularly working 15 or more hours a week in open employment' (section 40(3) Social Security Act 1964)
 - integrate people with ill health or disability into the Single Benefit, paying them the same core rates as other beneficiaries
 - integrate DA and the additional support that people on IB currently receive into a new, second tier, integrated payment based on the costs of ill health or disability
 - improve work incentives for people with ill health or disability by introducing a 'step' in work incentives for those moving into work of more than 20 hours.
- 87 Any changes of this nature would require broad consultation, particularly with people with ill health or disability and their organisations. The work is still tentative and not yet at a stage where this has taken place. In the first instance, I propose further work is carried out internally, with a view to being in a position to discuss these issues with people with ill health or disability and their organisations towards the latter half of 2005.
- 88 There is also a need to consider the impact of proposed changes to DA on recipients who are in residential care, or who are not currently of working age. The latter group includes people in receipt of New Zealand Superannuation (NZS), currently the largest group of DA recipients. I propose that MSD work through this issue in consultation with Ministry of Health.

An Integrated Disability Payment

- 89 An integrated, cost-based disability payment would eliminate the incentive for people with disabilities to distance themselves from the labour market in order to access a higher level of benefit. Because the payment would be available both in and out of work, like other second tier provision, it would support people with ill health or disability who wanted to work. Officials have been looking at two basic options:
- a cost-based approach. Individuals would receive a payment based on their actual costs of ill health or disability. This would be similar to DA, but potentially covering a broader range of costs, and extending further up the income distribution to provide better support in work

¹⁶ *Economic Analysis of Transfer Programs for People with Disabilities*, J. Bound and R. V. Burkhauser, in *The Handbook of Labor Economics*, Eds Ashenfelter and Card, 1999.

- a hybrid approach. This would use a proxy measure for the presence of costs for the majority of clients. Those who met this assessment would receive a flat rate payment. People with particularly high costs would be able to get this topped up to their actual costs.

90 Each approach has advantages and disadvantages:

- a cost-based approach would increase compliance costs for clients, because people need to prove their actual costs. Because it would mean targeting resources very effectively, however, it would allow us to be more generous
- a hybrid approach would be easier for most clients, but result in less effective targeting – especially as it is difficult to design tests of disability. This means we would have to be less generous. We could ameliorate this by allowing those with particularly high costs to apply for a top-up on a pure cost basis.

Improving Work Incentives

91 An integrated disability premium would improve work incentives by eliminating the sudden loss of income faced by someone working 15 hours or more. But its principal effect would be on the incentives for people to access benefit in the first place – by making support available in work, we would reduce the incentive to come onto benefit. To support people with ill health or disability on benefit to move up the earnings ladder, into work earning more than \$180 per week¹⁷, we need to go further. For families with children, the In-Work Payment will meet this need. But for people with ill health or disability an additional incentive is needed if we want to help them increase their hours and earnings.

92 I propose to build on the approach we are introducing with Working for Families, and introduce a ‘step’ in the work incentives for people with ill health or disability working, say, 20 hours per week. This would create a pathway back to work for people with ill health or disability. Those wanting to start with just a little work could take advantage of the \$80 abatement free zone; those wanting to increase their hours, or earn more, would be able to take advantage of the 30% abatement between \$80 and \$180. Those able to make a more significant step into work would be supported by this new measure.

Setting Appropriate Expectations and Outcomes

93 Within the Single Benefit, some people will be subject to a work test and others will not. This distinction is inevitable. It is right that we expect most people to seek and take up work if they come onto a benefit. Equally, there will always be some people whose ability to work is limited – because of caring obligations, ill health or disability – to the extent that it would not be appropriate to require them to work. This difference in the outcomes that it is reasonable and appropriate to expect people to pursue ensures that we cannot reduce the Single Benefit below two streams. It also makes sense to link abatement regimes to the outcomes we expect of people.

94 The question then arises of how we assess which outcome stream is appropriate for individuals, and how we ensure that, within both streams, the outcome of moving into full-time work is supported.

¹⁷ This is where the 30% abatement regime runs out and the 70% abatement begins.

The 'Rapid Return' Stream

- 95 I propose that the starting point would be that everyone goes into the 'rapid return' stream, unless they claim, and qualify for, access to the 'work development' stream. The default assumption within the Single Benefit would be that benefit is for a temporary crisis, to be followed by a rapid return to full-time work.
- 96 However, some people who are currently work-tested face multiple and complex barriers to work. I am not proposing any discretion to exempt people from the work test – that would be tantamount to writing them off as 'too hard'. We might however consider a limited discretionary power to move some people from the full-time work-test to a part-time work-test. It may be appropriate to combine this with the 30%/70% abatement regime that promotes part-time work. Such a power would allow us to pursue more realistic outcomes and strategies with a limited group of people, currently on UB, for whom an immediate move into full-time work is likely to be unsustainable. I would want to ensure that any such discretionary power was applied carefully within Work and Income to ensure consistency and to avoid perverse incentives.

The 'Work Development' Stream

- 97 Only where a return to work is not possible, or where we consider it would not be reasonable to expect a rapid return to full-time work, would people be eligible for the 'work development' stream. The circumstances qualifying people for this stream would include:
- being a sole parent of a dependant child
 - being the nominated main carer in a couple with a dependant child¹⁸
 - providing full-time care to someone who would otherwise require hospital care
 - having a long-term medical condition or disability that is sufficiently severe it would not be reasonable to expect full-time work.
- 98 No-one would be automatically allocated to the 'work development' stream. So, just as a sole parent can apply now for UB, so she or he could opt to remain in the 'rapid return' stream.
- 99 These categories reflect judgements about what is reasonable and appropriate to expect of people in certain circumstances, not assessments of a person's employability. These judgements are rightly made by Parliament. It would not be appropriate for a case manager to decide that a person with a disability could nonetheless be required to work. There would therefore be no discretion to move people out of this stream or impose a work test.
- 100 Being in the 'work development' stream does not, however, imply an expectation of being on benefit indefinitely. I propose therefore that we examine a financial incentive for people in the 'work development' stream to undertake full-time work search equivalent to that we would expect of someone in the 'rapid return' stream. This would give clients eligible for the 'work development' stream genuine flexibility to move into the 'rapid return' stream. While they would not be work-tested, access to the incentive would be conditional on continuing to engage in active work search, and accepting suitable job offers. Of course, if their circumstances changed, they would retain the right to return to the 'work development' stream, giving up the incentive.

¹⁸ Subject to a part-time work-test if the child were aged six-14.

The medical criteria

- 101 We also need to consider the medical criteria for people with ill health or disability. Our current rules for SB and IB are problematic:
- while many of those on SB return rapidly to work, there is a small proportion of SB clients whose outcomes look more similar to those of IB clients, and who remain on benefit for long periods. It might be more helpful for such clients to be placed in the 'work development' stream
 - the 15 hour rule for IB creates a perverse incentive for people with ill-health or a disability to exaggerate their labour market barriers and penalises people on IB who want to try working 15 hours or more per week. The six-month 'grace period' announced in Budget 2004 helps here, but does not resolve the issue.
- 102 I believe we should re-examine the approach we take to determining medical and disability-related eligibility for the 'work development' stream. We would not be seeking to tighten the existing policy, nor to exclude people who would currently be eligible for IB from the equivalent status within the Single Benefit. But we would seek to remove the presumption that severity of disability determines, and can be defined by, the ability to work. Some people with very severe disabilities can and do work full-time; others would like to have the opportunity. I propose that MSD work with the Ministry of Health to consider appropriate alternative approaches to determining severity that recognise these issues.
- 103 We should also take the opportunity to ensure that the processes for applying the medical criteria are robust and effective, and that they provide us with the best information possible to assess both eligibility and the right services to offer clients.

Childless Widows and Women Alone

- 104 Older women, without dependent children, whose relationships have ended are currently eligible either for WB or DPB-Women Alone, provided they meet complex criteria around age, residence and former relationship status. At present, women (but not men) in these circumstances are eligible for conditions equivalent to those in the 'work development' stream. Both the labour market rationale and the consistency of this provision with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993 are questionable.
- 105 The Human Rights Commission has recommended that "the widows and women alone benefits remain in place until [social assistance reform] is carried out by MSD. All the implications should be fully worked through with statistical evidence that is disaggregated by gender and properly analysed."¹⁹
- 106 I propose that we carry out such an analysis. Arguably, the position of older women is different to that of older men. They entered the labour market and made employment and human capital investment decisions at a time when expectations around women's labour market role were very different to today. But applying the same provisions in future to, say, women currently in their 30s would be harder to justify.

¹⁹ Submission by the Human Rights Commission to the Justice and Electoral Select Committee on the Civil Union and Relationships (Statutory References) Bill.

Expectations Within Streams

- 107 Research suggests that people are best assisted into work using a mix of facilitation strategies, such as case management and job search assistance, alongside an emphasis on the requirement to seek employment and monitoring of job search activity²⁰.
- 108 Those in the 'rapid return' group would be full-time work-tested. However, the work test could be suspended for those with a legitimate reason not to be able to seek work immediately. This would include those in approved training, and people with short-term medical conditions (including much of the existing SB client group). Suspensions would be strictly time-limited. But provided they were only for a short period, there is not a strong case for extending an alternative work or planning requirement to those with work-test suspensions.
- 109 Current DPB and SB/IB recipients are not work tested, and there are no plans to introduce work testing for these clients. But we are increasingly recognising that many people in these groups want, and are able, to enter sustainable employment given the right support and assistance. We want to encourage and assist these clients to engage with us about working, take up employment-focused assistance, and move into employment where appropriate. Providing employment opportunities and improving employment participation for people with disabilities complements Government's Employment Strategy and the New Zealand Disability Strategy.
- 110 Changes underway within the social security framework, like Working for Families and the introduction of an employment-focused service for SB and IB clients, are increasing opportunities and incentives for people in these groups to access assistance and move into work. Work-focused expectations on clients are not yet in step with these changes. DPB and WB clients take part in a planning process which, though apparently working well to date, could have a clearer employment focus. SB and IB recipients face no such expectations. While there will be some in this group from whom it would be unreasonable to expect any activity, the focus on identifying and compensating for impairments that may prevent full-time work has meant less emphasis on what clients with ill health or a disability can do.
- 111 The current system has other apparent inconsistencies around expectations for people on benefit and their partners. Partners with young children face less active requirements than those for equivalent sole parents. While sole parents with children under six are required (like all DPB-Sole Parents clients) to participate in a Personal Development and Employment Planning process, partners whose youngest child is under six need only take part in a yearly planning meeting. Equally, partners over 55 may apply for an exemption from work test obligations on the basis of their age, grounds which appear unrelated to their ability to work.

A proposed model of expectations

- 112 A single working-age benefit gives us the opportunity to more closely align the ability to work with work-focused expectations. I propose a model of expectations that maps onto the streams of the Single Benefit.
- **Rapid return to full-time work** clients would be expected to actively seek work, participate in appropriate employment assistance and job interviews, and take up offers of suitable employment.

²⁰ *Social Assistance Initiatives: Paper B: Families and Work: DPB and WB Review: Overview*, paragraphs 24 and 27, SEQ (01) 123 refers. See also John P. Martin, *What Works among Active Labour Market Policies: Evidence from OECD Countries' Experiences*, OECD Economic Studies No.30, 2000/1.

- **Work, development and preparation** clients would not be work-tested, but there might be a requirement to plan or to participate in an assessment of the kinds of employment-focused assistance from which they might benefit. Some clients would be exempt who could not reasonably be expected to participate in any employment-focused activity.

Current Domestic Purposes Benefit and Widows Benefit clients²¹

113 In 2002, MSD introduced reforms for DPB and WB recipients [SEQ (01) 125 refers], designed to “more effectively facilitate the movement of recipients of DPB and WB into paid employment as their family responsibilities and individual circumstances allow”.²² Now that the reforms have been in place for a year, it is appropriate to consolidate the changes and consider how we might strengthen their employment focus.

114 As set out above (paragraphs 59-61), I am proposing to increase the work focus within existing legislation. Alongside the Single Benefit, we could also consider further measures that would require legislative change. For example, currently, there is a legislative requirement to review the Personal Development and Employment Plan annually. To sustain clients’ momentum in moving towards employment, strengthen the case manager-client relationship and ensure that any changes in clients’ circumstances are identified and reflected in client Plans, we might:

- amend the current requirement to allow for two reviews of the Plan per year
- introduce a requirement that clients complete at least one short-term action step (time-framed within the next six months) in their Plan.

115 Most DPB recipients are sole parents, whose circumstances and capacity for work change and fluctuate as their children grow. Particularly when first moving on to benefit, their circumstances may change relatively frequently. The six-month interval between mandatory review meetings for sole parents in the UK is considered useful for new and repeat sole parent beneficiaries, as this group tend to face ‘more short-medium term barriers to work, such as relationship breakdowns, housing and living arrangements and financial difficulties’.²³ Case managers would have discretion to waive the second interview where clients’ circumstances warranted.

116 Contact with clients is also a means of ensuring that they are receiving their full and correct entitlement, and accessing services that will improve child outcomes. Increasing the frequency of contact with DPB and WB clients may result in more supplementary payment entitlements being identified.

Carers

117 DPB-Care of Sick or Infirm (DPB-CSI) clients currently fall outside the DPB/WB planning process. I propose that DPB-CSI recipients continue to be exempt from work-focused expectations. As these clients are caring full-time at home for someone (other than their

²¹ The 2002 reforms applied to WB recipients, as well as DPB-Women Alone and DPB-Sole Parents recipients (ie, not to DPB-Care of Sick or Infirm clients). In this section, ‘DPB/WB’ denotes ‘DPB/WB recipients who currently fall within the planning framework’.

²² *Social Assistance Initiatives: Paper C: Families and Work: DPB and WB Review: Responsibilities and Case Management*, SEQ (01) 124 refers.

²³ Research Summary of Andrew Thomas and Gerwyn Jones, *Lone Parents’ Personal Adviser Meetings: Qualitative evaluation and case studies on delivery of six months review meetings*, November 2003, p 1; Thomas and Griffiths, *Integrated Findings*, p 25.

partner) who would otherwise have to receive hospital care, they are already engaged in full-time activity and can be considered unavailable to work.

Current Sickness Benefit and Invalids Benefit clients

- 118 The extension of active labour market policies to people on ill health and disability-related social assistance is relatively new. We don't know how many people in this group might be able to undertake work or work-focused activity, and we know much less about how to assist this group into employment. But we do want to encourage participation in employment-focused assistance where this is appropriate.
- 119 Overseas evidence suggests that where employment assistance is provided on a purely voluntary basis, take-up among the target population is low:
- from July 2001 to November 2003, only 1.9% of the eligible population joined the UK's voluntary New Deal for Disabled People (NDDP)²⁴
 - the Ticket to Work (TTW) programme for disability beneficiaries being rolled out in the US experienced a take-up of less than 1% in its first 18 months²⁵.
- 120 There is also some international evidence that extending work-focused expectations to this group increases take-up of employment assistance. Under the UK Pathways to Work scheme, new Incapacity Benefit clients attend compulsory work-focused interviews, and can access National Health Service (NHS) rehabilitation support and a return to work credit. Early results suggest that six times as many Incapacity Benefit recipients are taking up New Deal or other rehabilitation programmes in pilot areas as in non-pilot areas²⁶.
- 121 In New Zealand, employment-focused approaches for SB and IB recipients are very new. The accompanying paper, *Security and Opportunity – Health, Disability and Employment: A New Service for Sickness and Invalids Benefit Recipients: Next Steps*, sets out progress to date of the new voluntary employment-focused service for SB and IB clients.
- 122 A key component of the new service for SB and IB clients is enhanced case management, currently being offered in 14 sites nationwide. Enhanced case management includes lower case manager-client ratios (allowing case managers to spend more time with clients), the use of a journal to record client activity, and increased training for case managers. Early findings from the evaluation of enhanced case management show that:
- as at 30 June 2004, 3,106 SB and IB recipients in pilot sites had engaged with the enhanced case management initiative, while 354 had opted out. 25% of those who opted out subsequently engaged²⁷
 - between 1 February and 30 September 2004 42% of SB and IB clients in the 14 sites have received some form of case management, compared with 28% in other sites²⁸

²⁴ Department for Work and Pensions, *New Deal for Disabled People (NDDP): First Synthesis Report*, September 2004.

²⁵ Mathematica Policy Research, 'Ticket to Work Program Faces Challenges in Attracting Participants and Recruiting and Retaining Employment Networks', press release, 19 August 2004. The Ticket to Work programme is designed to 'increase [disability] beneficiaries' choice of employment-support providers by expanding the types of organisations that the Social Security Administration will pay to assist beneficiaries' work efforts.'

²⁶ Department for Work and Pensions, 'Radical new pilots out-perform the rest of the country to get people on Incapacity Benefit off benefits and into work', press release, 11 October 2004.

²⁷ Ministry of Social Development, *Jobs Jolt Quarterly Evaluation Report: Progress to 30 June 2004*, p 52, p 54.

- by the end of September 2004, nearly 5,000 clients had at least one journal entry. Around a quarter of these entries are related to moving into work.

123 These early findings show that good progress is being made. But given international experience, it is reasonable to assume that a requirement to engage in work-focused activity, where clients are able to do so, would increase uptake of employment assistance.

What expectations might be considered?

124 We do not want to extend work-testing to people on SB or IB. But an expectation that people engage with us about the opportunities that are available to them would, in most circumstances, be appropriate. The DPB/WB enhanced case management and planning process engages with clients in a way that responds to their individual circumstances, while retaining employment goals in sight. This approach seems particularly suitable for people with ill health or disability: a flexible, client-driven framework means that clients could work towards sustainable employment goals – whether part-time, full-time or intermittent – as their circumstances (including any permanent impairment, or fluctuation in their condition) permitted. We would need to ensure we could carry out appropriate assessments so that we had the best information with which to offer services to clients.

Exemptions

125 Within any approach we might adopt, we would need to exempt some clients who could not reasonably be expected to participate in any activity. One approach would be to:

- work with health and rehabilitation professionals to draw up a list of conditions and impairments that should exempt clients from any expectations
- include in the list a category of clients who were not experiencing one of the identified conditions, but who could be exempted on professional advice.

126 This would ensure a uniform approach to identifying people who should be granted an exemption, and provide an assurance that specified groups would never be required to participate, while also allowing discretion based on professional advice in individual cases.

Partners with children under six

127 Currently, partners of benefit recipients have work-focused obligations, the nature of which depends on the age of their youngest child. We do not actively engage with most partners.

128 Aligning expectations on partners with children under six with those of equivalent sole parents would mean bringing them into the DPB/WB planning process. This move would:

- ensure a consistent message to partners and sole parents about the requirement to plan for moving towards employment
- remove the existing anomaly whereby partners are effectively the only group required to attend a planning meeting without having to develop a plan²⁹

²⁸ Note that case management can take the form of a letter, phone call or visit to a client, but does not necessarily imply direct client contact.

²⁹ As noted above, carers technically face the requirement to attend a yearly planning meeting, but can be exempted from this requirement on the grounds that they are a carer.

- reduce the 'step up' in work-focused activity for partners when their youngest child turned six.

129 I propose that work continue on the legal and resource implications of bringing partners with children under six into the DPB/WB planning process.³⁰

Determining the Boundaries of the Single Benefit

130 Eligibility for the Single Benefit would be based on low income. Claimants would also need to meet tests of age and residence. There would be certain exclusions, for example those receiving other benefits, or who were out of the country (subject to temporary absence rules).

131 Two key areas define the breadth of the Single Benefit:

- whether to include those under 18
- whether to include those currently on emergency benefits³¹.

Youth

132 At present, 16-17 year olds can become eligible for main or emergency benefits under any of three sets of circumstances:

- Relationships: 16-17 year olds who are legally married, or in a de facto relationship with parental consent, are eligible either for main benefits (if partnered with someone over 18) or for Independent Youth Benefit (IYB). 16-17 year old sole parents who are widowed from legal marriage can claim WB
- Independent circumstances: IYB is available in cases of family breakdown, and Sickness Benefit Hardship (SBH) can be paid to 16-17 year olds living away from home to attend rehabilitation
- Personal characteristics: people eligible for IB or DPB-CSI can claim at 16 years. Sole parents and pregnant 16-17 year olds are eligible for Emergency Maintenance Allowance and SBH, but receive a lower rate and are subject to a parental income test (unless they qualify under independent circumstances).

133 An outcome-focused benefit system raises the question of where to place eligible 16-17 year olds. There are issues here around the Bill of Rights Act. But from an outcome perspective, there is a case for excluding 16-17 year olds from the Single Benefit. The outcomes we want to achieve for these clients can be significantly different to those who are 18 and over. There is an element of transition to adulthood not present for older claimants. Correspondingly, we need to provide specialised services for 16-17 year olds that might be better supported outside the Single Benefit.

134 Instead, we could create a new benefit for eligible youth, absorbing IYB and also 16-17 year olds eligible for other main benefits, and connect this to a set of outcomes appropriate for this age group. I am proposing that MSD and the Ministry of Youth Development work on what such a benefit might look like and whether it is the right approach, in light of the outcomes we are seeking to achieve and Bill of Rights Act issues.

³⁰ Required amendments would include section 60HA of the Social Security Act 1964.

³¹ These include Emergency Benefit, Emergency Maintenance Allowance, Unemployment Benefit Hardship, Sickness Benefit Hardship and Unemployment Benefit Student Hardship.

Emergency Benefits

- 135 Emergency Benefits provide a source of discretionary flexibility in cases where individuals are in hardship, but their circumstances fall outside the eligibility rules. In practice, this discretion has become gradually more rule-like over the years. For example, the majority of emergency beneficiaries, 9,500 out of 13,000, have failed the residence requirements for main benefits. They are instead granted an Emergency Benefit (EB) equivalent to the benefit they would have been entitled to, had the exclusion criterion not applied.
- 136 It is not clear that we should continue the current position of having one rule that excludes people and another rule that provides a fall-back for those excluded. We could achieve a very similar outcome more efficiently by integrating the two rules. This approach looks to be the most sensible for Emergency Benefits granted:
- to those failing residence criteria for main benefits
 - to those caring for a child other than their own (incorporating the same safeguards).
- 137 This would bring around 6,300 of the current 9,300 working age EB recipients into the Single Benefit. We will need to do further work on whether this approach requires us to introduce an asset test into the Single Benefit in some circumstances. I propose that MSD work with Department of Labour to ensure that this approach is sufficiently robust. Some other sub-categories of Emergency Benefits, paid to seasonal workers and those with unpaid enforced holidays, might be better managed through support in the transition to work. There are also some 3,700 EB recipients over 65, who are out of scope, and would remain on EB.
- 138 This leaves a residual group of around 2,000 working age EB recipients, with a variety of complex circumstances, such as civil defence emergencies. We are not proposing to bring this group into the Single Benefit. A rule-bound benefit system will never be able to cater for all possible circumstances, and a limited discretionary power is therefore valuable. I therefore propose to maintain a residual, discretionary, benefit, separate to the Single Benefit, for exceptional circumstances. We might consider re-naming it, since it is more about exceptions than emergencies.

Part 6: Hardship

- 139 Working for Families has begun the process of reforming hardship provision. Improvements to second tier assistance will reduce the need for hardship payments. Introducing Temporary Additional Support in place of Special Benefit will remove discretionary provisions and introduce a rule-based approach. But there is scope to go further.
- 140 Administering hardship assistance has become an issue for several reasons:
- demand for hardship assistance has increased, reflected in the growing numbers of people granted Special Needs Grants, Advances of Benefit and Recoverable Assistance Payments
 - the growing economy, skill shortages and increasing opportunities to assist beneficiaries into work has brought into question the balance of case manager time spent administering assistance, relative to assisting people into work
 - the current design of hardship assistance is passive and does not impact on the reasons for hardship
 - the prescriptive categories of assistance were developed in an ad-hoc manner so that the overall framework has lost a clear rationale

- there are some anomalous categories and provisions that do not fit in the third tier, or have been driving detrimental behaviours.

141 We propose a package of options that allows us to reduce the complexity and anomalies in the third tier and provide assistance and a service that addresses hardship more effectively.

Proposed Approach for Reform of Hardship Provisions

142 The broad approach I propose is to:

- reform third tier policy by:
 - reallocating some provision to other tiers or more appropriate programmes
 - rationalising one-off emergency assistance and introducing appropriate limits
- reform the administration of the third tier:
 - for one-off users – reduce compliance costs and administration processes
 - for regular users – provide access to specialist support for clients with high and complex needs.

143 This approach will reduce case manager time spent on administration freeing up front-line resources for a greater work focus, and smooth the administration process for one-off users. Access to specialist support would be provided for the small but growing proportion of clients for whom hardship payments alone do not resolve the causes of hardship, and who require more skilled and intensive intervention.

Part 7: Conclusions

Consultation

144 The following agencies have been consulted in the preparation of this paper: Treasury, Department of Labour, Department of Prime Minister and Cabinet, Ministry of Justice, Inland Revenue Department, Housing New Zealand Corporation, Ministry of Education, Child Youth and Family, Te Puni Kokiri, Ministry of Pacific Island Affairs, Ministry of Women's Affairs, Ministry of Health, ACC, Ministry of Youth Development and Office for Disability Issues.

Financial Implications

145 In contrast to the benefits of this package, the costs are predominantly one-off, and are incurred mostly in setting up new systems and processes. We expect a series of relatively large one-off costs as various elements are introduced, followed by relatively low ongoing costs.

146

Human Rights Implications

- 147 Currently the Social Security Act 1964 contains provisions that discriminate on the basis of family status, employment status, marital status, disability, age, sex, and sexual orientation. Making amendments to the Social Security Act will raise New Zealand Bill of Rights Act issues and any continued or new discrimination will need to be justified, such as youth rates and limited benefit eligibility for people aged 16-18 years.
- 148 The Single Benefit is also an opportunity to reconsider existing discrimination that may not be justified.³² MSD will report back, in consultation with Ministry of Justice, on human rights implications with the detailed proposals for legislation towards the end of 2005.

Legislative Implications

- 149 No legislative implications arise out of this paper. Many of the proposals, such as the Single Benefit and changes to expectations for DPB and WB clients, will require legislative change. I will report back to Cabinet towards the end of 2005 with detailed proposals for legislation to be introduced in 2006.
- 150 The service delivery model will be developed within current legislation. Should we need legislative change to support the model, I will bring forward proposals alongside those for the Single Benefit towards the end of 2005.

Regulatory Impact and Compliance Cost Statement

- 151 There are no regulatory impacts or compliance costs associated with this paper. Any potential compliance costs arising from more detailed proposals will be included in the report back to Cabinet towards the end of 2005.

Gender Implications

- 152 As at 26 November 2004, over 60% of benefit recipients (excluding those on New Zealand Superannuation and Veterans Pension) were female. There is, however, considerable variation by benefit type, with around 90% of Domestic Purposes Beneficiaries being women, while only 35% of Unemployment Beneficiaries are women. The proposals in this paper will therefore disproportionately benefit women relative to men.

Implications for Maori and Pacific People

- 153 The package is likely to benefit Maori and Pacific peoples who tend to have lower individual and household incomes compared with the rest of the population. Maori in particular are over-represented in the benefit system, and comprised 30.6% of benefit recipients (excluding those on New Zealand Superannuation and Veterans Pension) at 26 November 2004.

³² There is a maximum subsidy paid on a blind client's earnings. All of the income of a totally blind beneficiary earned by the beneficiary's own efforts is disregarded.

Disability Perspective

154 People with disabilities are more likely to come into contact with the benefit system than those without. The proposals in this paper are therefore likely to be of significant benefit to this group. Work to improve employment incentives for people with disabilities will support the New Zealand Disability Strategy, particularly Objective 4: 'Provide opportunities in employment and economic development for disabled people'.

Publicity

155 Publicity for the new service will focus primarily on new clients, who will be given information when they make contact with Work and Income, and Work and Income staff.

Recommendations

156 I recommend that the Cabinet Policy Committee:

Part 1: Rationale, Costs and Benefits

- 1 **note** that on 13 September 2004, Cabinet invited the Minister of Finance and the Minister for Social Development and Employment to report back to the Cabinet Social Development Committee (SDC) before the end of December 2004 on the costs and benefits of the proposed reform and a proposed timetable for implementation of reform, including dates for the introduction of legislation, should the reform proceed [CAB Min (04) 30/5A refers];
- 2 **note** that officials are developing proposals for a Single Benefit and associated reforms to Work and Income service delivery and the provision of active labour market programmes, and that the Minister of Finance has been consulted and agrees on these proposals to date;
- 3 **note** that the proposed reform is estimated to:
 - 3.1 at a conservative estimate, lead to savings in Vote Social Development: Benefits and Other Unrequited Expenses of around \$20m per year in the first full year of impact, rising to around \$40-\$70m per year: for every additional 10,000 people we help into work, it is estimated we would save around \$50m more per year;
 - 3.2 cost \$21m in one off implementation costs spread over six years, and settle at around \$8m per year in on-going costs (not including costs of integrating payments for people with ill health or disability in and out of work);
- 4 **note** that the proposed reforms will:
 - 4.1 send a clear message that we are increasing opportunities and support for all beneficiaries who are able to work, and providing security for those who cannot;
 - 4.2 prototype a new service delivery model from May 2005 within existing legislation;
 - 4.3 increase flexibility in the provision of active labour market programmes and support in the transition to work;
 - 4.4 replace the existing working age benefits, which categorise people according to why they cannot work, with a Single Benefit designed around outcomes, supporting the new service;
 - 4.5 reform the basis of extra help for people with ill health or disability, recognising that many people with ill health or disability face extra costs both in and out of work;
 - 4.6 reform hardship provision, reducing the administrative burden on case managers for the majority of cases and providing access to specialist services for those with high and complex needs who make multiple claims for hardship assistance;

Part 2: Key Messages

- 5 **note** that the core messages around the proposed reform are:

- 5.1 many people on benefits want to work, and have the potential to work: whether full-time, part-time or intermittently, as a short-term or long-term outcome;
- 5.2 the Government will continue to ensure financial security, and offer appropriate opportunities and services, to people who cannot work;
- 5.3 by supporting people to stay in work or to get into work, we are improving social and economic outcomes for individuals and their families, which in turn supports economic growth by increasing labour supply and improving skills;

Part 3: Service Delivery

- 6 **agree** to the following objectives for the new service model:
 - 6.1 enabling people to move into sustainable employment;
 - 6.2 supporting people who can't work now to move towards employment, and increase their independence and participation;
 - 6.3 making work pay: supporting people to stay in work, and to change jobs without needing to get a benefit;
- 7 **note** the following key elements of the new service model:
 - 7.1 **assessment:** a basic initial assessment to identify client outcomes, appropriate services and expectations, supported by ongoing assessment of clients' circumstances, as well as collecting the information we need to process benefit entitlement;
 - 7.2 **readiness:** assistance to help people become more work ready and increase their social participation, including employment-focused seminars and support groups to build confidence;
 - 7.3 **linking:** assistance to connect people with other agencies that deliver services they need, and processes for sharing information and resources and determining which agency should take the lead in providing services to a client;
 - 7.4 **retention:** assistance to clients and employers to help people stay in work, and help them change jobs without entering the benefit system;
 - 7.5 **advancement:** assistance to help people move into better quality employment;
- 8 **note** the intention to trial key elements of the new service delivery model in 11 Work and Income sites, within existing legislation, starting in May 2005;
- 9 **direct** the Ministry of Social Development (MSD) to report back to the Minister for Social Development and Employment, the Minister of Women's Affairs and other appropriate Ministers by September 2005, with firm proposals to increase the work focus of the enhanced case management and planning process for Domestic Purposes Benefit and Widows Benefit clients;
- 10 **direct** the Minister for Social Development and Employment to report back to SDC in April 2005 on the detailed design of the new service model;

Part 4: Active Assistance

- 11 **note** the proposed amendment of eligibility criteria for employment programmes so that it is based on factors that indicate labour market disadvantage, not on factors associated with benefit type;
- 12 **note** that MSD will report back to the Minister for Social Development and Employment with proposals to amend the Cabinet and Ministerial Guidelines for Employment Programmes and Services in April 2005;
- 13 **note** that the Minister for Social Development and Employment proposes to replace four existing transition to work programmes with a single new programme that has two parts:
 - 13.1 transition to work;
 - 13.2 retention in the work place;
- 14 **note** that MSD proposes that the four welfare programmes be revoked and replaced with a new Support to Work welfare programme, and that the Direction on Pathways Debt Recovery Suspension be revoked and regulations made under section 132G of the Social Security Act 1964;
- 15

Part 5: The Single Benefit

- 16 **note** the fundamental assumptions that have guided proposals around a Single Benefit:
 - 16.1 that the basis of assessment (ACC aside) will remain need, with income (and in some cases asset) tested benefits, and that within these limits eligibility will be predominantly entitlement-based with limited discretion;
 - 16.2 that the unit of assessment will remain the current benefit unit (ie a single person or couple, and any dependent children);
 - 16.3 that social assistance will remain national, delivered through Work and Income and Studylink;
- 17 **note** the work undertaken to date to develop proposals for a Single Benefit;
- 18 **agree in principle** to the development of a Single Benefit to be legislated for in July 2006, and implemented from 2007;
- 19 **direct** MSD to undertake further work on issues arising from the development of a proposed Single Benefit, including:
 - 19.1 outcome streams of the Single Benefit and how they will work;
 - 19.2 options for an integrated, cost-based disability payment;
 - 19.2.1 in consultation with Ministry of Health officials, the impact of changes to Disability Allowance on recipients not currently of working age, or in residential care;

- 19.3 in consultation with Ministry of Health officials, medical and disability-related eligibility for the 'work development' stream, including an alternative approach to determining the severity of conditions;
- 19.4 proposals for the reform of Widows Benefit and Domestic Purposes Benefit-Women Alone, pending an analysis of their labour market rationale and consistency with human rights legislation;
- 19.5 strengthening enhanced case management and planning for Domestic Purposes Benefit and Widows Benefit clients;
- 19.6 the development of appropriate work-focused requirements such as planning and assessment for current Sickness Benefit and Invalids Benefit clients, and of options for exempting clients who cannot reasonably be expected to participate in any activity;
- 19.7 in conjunction with Ministry of Youth Development officials, a new benefit for eligible youth;
- 19.8 in consultation with Department of Labour officials, the treatment of residence in the Single Benefit;
- 19.9 proposed reforms to hardship assistance to reduce the administrative burden on case managers for the majority of cases, and providing access to specialist services for those with high and complex needs who make multiple claims for hardship assistance;
- 20 **direct** MSD to report back to Cabinet by July 2005, with detailed proposals for a single benefit, including the issues in paragraph 19 above;
- 21 **direct** MSD to report back to Cabinet in December 2005 with proposed details for the medical and disability-related eligibility for the 'work development' stream, options for an integrated, cost-based disability payment, and detailed proposals for further reform of hardship assistance;
- 22 **note** that legislation in 2006 would allow the Single Benefit to be implemented during 2007;

Financial implications

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Legislative implications

- 25 **note** that the new service delivery model will be trialled within existing legislation;
- 26 **note** that the Minister for Social Development and Employment will report back to Cabinet by the end of 2005 with detailed proposals for legislation to be introduced in 2006;

- 27 **note** that should legislative change be needed to support the full new service model, the Minister for Social Development and Employment would bring forward proposals alongside those for the Single Benefit by the end of 2005;

Publicity

- 28 **note** that publicity for the new service will focus primarily on new clients and Work and Income staff.

Hon Steve Maharey
Minister for Social Development and Employment

