

Chair
Cabinet Policy Committee

WORKING NEW ZEALAND PHASE ONE: WORK-FOCUSED SUPPORT

Proposal

- 1 In this paper I am seeking agreement to Phase One of the Working New Zealand: Work-Focused Support package of proposals to reform the social support system. These proposals aim to:
 - increase opportunities for people to participate in the labour market, where work is an appropriate outcome
 - continue to provide social and financial support for people with temporary or long-term barriers to work.
- 2 The Speech from the Throne, delivered by the Governor-General in November 2005, stated that “The social welfare system will continue to provide a base of security for all New Zealanders, alongside the provision of opportunities for work. During this term further action will be taken to encourage and support those on Sickness and Invalid’s Benefits to participate in the workforce. Further development will also be undertaken on the evolution of the new benefit structure focused on providing work opportunities for all New Zealanders.” The proposals contained in this paper will contribute to this goal.
- 3 Phase One will focus on getting the right services and support in place to help people prepare for, make the transition to, and stay in work. It will also start aligning the rules of the existing benefit categories¹ in preparation for the move to a Core Benefit in 2009 – 2010. Phase Two will introduce a Core Benefit, including a core rates structure
- 4 The key decisions to be made in this paper are around the funding for 2007/2008 and outyears and the implementation timetable.
 - Option One seeks all funding decisions now to allow Phase One - Support and Services to be implemented well before the next parliamentary session in 2008. The package will highlight the savings for the main working-aged Benefit and Other Unrequited Expenses in a report back in November 2006 seeking approval for 2007/2008 and outyear costs.
 - Option Two defers funding decisions on 2007/2008 and outyears to Budget 2007. This enables funding for Phase One – Support and Services to be considered as part of the Budget process but delays the implementation of the key components of the package to 2008.

¹ Unemployment Benefit, Sickness Benefit, Invalid’s Benefit, Domestic Purposes Benefit – Sole Parent, Domestic Purposes Benefit: Care for Sick or Infirm, Domestic Purposes Benefit – Women Alone, Widow’s Benefit, Independent Youth Benefit and emergency and hardship benefits.

- 5 Under both options I am seeking funding of \$15.53 million for the implementation of Phase One in 2006/2007 from the general contingency (\$9.30 million) and the Training Incentive Allowance underspend (\$6.23 million).
- 6 If the Cabinet Policy Committee agrees to Option One then decisions on policy proposals and drafting instructions to be issued to the Parliamentary Counsel Office for a Social Security Amendment Bill are required now. I will report back to the Cabinet Policy Committee in November 2006 with further detail of the identified savings and the necessary changes to appropriations.
- 7 If the Cabinet Policy Committee agrees to Option Two then policy proposals contained in recommendations 47 to 129 do not need to be considered at this time. I will report back to the Cabinet Policy Committee seeking agreement to policy and legislative proposals and funding as part of the Budget 2007 process.

PART A: EXECUTIVE SUMMARY

Case for change

- 8 A strong labour market, together with government initiatives to upskill, support and incentivise people to participate in the labour market, have paved the way for:
 - a substantial decline in the number of people receiving unemployment-related benefits (a reduction of 29,003 or 42.2% from June 2004 to June 2006)
 - a recent and significant decline in the number of people receiving Domestic Purposes Benefit (a reduction of 7,000 or 7% from June 2004 to June 2006).
- 9 Over recent years, numbers receiving Sickness and Invalid's Benefit have continued their historic trend upwards. The rate of increase has, however, slowed in the last two years, with numbers receiving these benefits rising by 3.4% to 122,000 in the year to June 2006.
- 10 If we take no further action, assuming that current trends and practices continue, it has been estimated that the cost of supporting the existing population of beneficiaries (as at June 2005) over the lifetime of their claims on Domestic Purposes Benefit, Sickness Benefit and Invalid's Benefit represents a future liability of \$25 billion to the State.²
- 11 To build on our progress in reducing the numbers of people on Unemployment Benefit we need to ensure they have the right work-focused services right from the start. For Domestic Purposes Benefit: Sole Parent we need to ensure that recipients have the right support to plan their return to work, together with access to services such as Employment and Training Assistance to help them participate in the labour market.
- 12 The Domestic Purposes Benefit and Widow's Benefit reforms in 2002 replaced the work test with a requirement for the recipient to participate in developing a Personal Development and Employment Plan, supported by Enhanced Case Management. These changes were reinforced by the progressive introduction from October 2004 of the Working for Families package to reduce barriers to employment and to incentivise movement into employment through the In-Work Payment.

² Source: Estimation of Future Liability for Recipients of Working Age Benefits, (CSRE) Ministry of Social Development, 2005. These are based on several assumptions and the Ministry of Social Development is currently developing more recent and robust estimates.

- 13 Other supportive initiatives have been announced around the provision of early childhood education services, in particular the introduction of 20 free hours of care per week for three- and four-year-olds in July 2007.
- 14 For people in receipt of Sickness or Invalid's Benefit, we have started trialling a case management practice initiative, but there is more to do:
- enhanced expectations (including planning and activity requirements) will help to ensure that they have the right support to plan their return to work
 - more services and support, including access to Employment and Training Assistance will help them participate in the labour market.

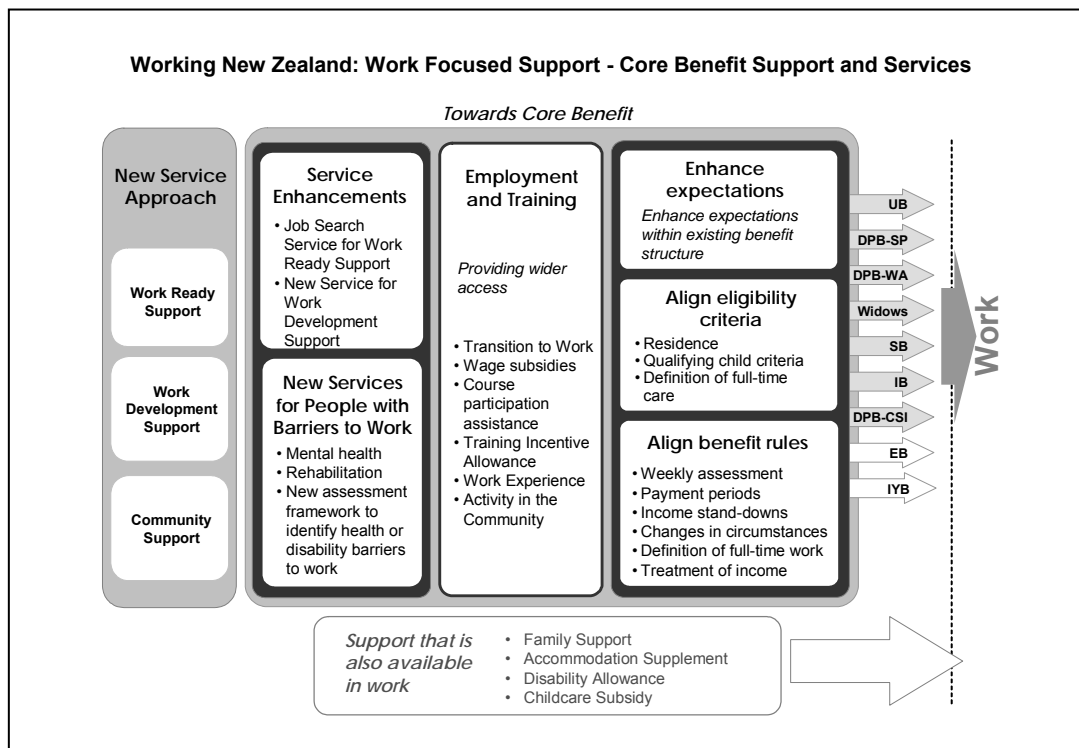
Phased Implementation

- 15 I am proposing a two-phase reform strategy for the Working New Zealand: Work-Focused Support package.
- 16 Phase One (Support and Services) will focus on getting the right services and support in place to help people prepare for, make the transition to, and stay in work. It will also start aligning the rules of the existing benefit categories in preparation for the move to a Core Benefit in 2009 – 2010, as well as enhancing expectations particularly for those on Sickness Benefit, Invalid's Benefit and Independent Youth Benefit. Phase Two (Structure and Additional Financial Support) will introduce a Core Benefit, including a core rates structure

This phased approach will ease the transition to a work-focused social support system and the Core Benefit.

Summary of proposals

- 17 The figure below summarises the Phase One - Support and Services package with the following boxes providing more detail on the proposals.



Providing the right services, right from the start

I propose to:

- progressively roll out from September 2006 a Job Search Service for people in the Work Ready Support service stream (and others who volunteer), comprising intensive job search activity and support, regular contact with Work and Income, and access to more intensive assistance where required
- further develop appropriate packages of case management and targeted services for people in the Work Development Support and Community Support service streams, with a view to a progressive rollout throughout 2007
- develop a new assessment framework for people with ill health and people with disability, which will collect better information about what people are capable of doing and the barriers they face, particularly health- or disability-related barriers, in achieving their goals and potential
- provide additional guidance to doctors on how to interpret eligibility for Sickness Benefit and Invalid's Benefit.

Providing wider access to employment and training assistance

Training Incentive Allowance

I propose to retain the Training Incentive Allowance but modify the programme to focus more tightly on identified quality and relevance standards [CAB Min (06) 10/3 refers]. With the exception of this change the Allowance will continue to be available under current rules and maxima to meet the financial costs associated with participating in training and work-related skills development programmes.

Course Participation Assistance Grant

I propose to introduce a Course Participation Assistance Grant to replace the Occupational Training Course Special Needs Grant. The Grant will assist people on benefit or a stand-down for benefit with the costs incurred through participation in short-term employment and training assistance programmes.

The Course Participation Assistance Grant will provide a contribution towards transport and care costs (including childcare, care for people with disabilities, and care for older people) for those who participate in employment and training programmes. Up to \$1,000 will be available over a 52-week period. This will include up to \$200 for occupational training course fees currently covered in the Occupational Training Course Special Needs Grant.

Wage Subsidies

I propose that the current wage subsidies and skills training programmes be consolidated into two subsidies:

- a Skills Investment Subsidy that invests in the jobseeker and contributes to a person's wages for up to 52 weeks, with the maximum limit set at Ministerial level (currently \$16,900 per annum). The Skills Investment Subsidy will replace the current placement wage subsidies and the Job Plus Training programme. This subsidy will continue for up to 52 weeks (within the annual maximum limit)
- a Time-limited Project Subsidy that focuses on those who are furthest from achieving sustainable employment and enables participation in project-based work of less than six months duration, for example Taskforce Green, that will help people develop work habits and skills and progress towards sustainable employment

Transition to Work

I propose that the Work Start Grant, the Pathways Payment programme and the Pathways Debt Recovery Suspension be merged into a single programme, called the Transition to Work Grant that will provide flexible financial assistance to meet the additional costs of entering into employment. Up to \$1,500 per year will be available per person, including up to \$300 for job search costs, up to \$500 in bridging finance, and job placement costs as required.

Work Experience and Activity in the Community

I propose that:

- the Work Experience³ programme be modified to enhance access, increase its effectiveness, and further mitigate the risks associated with it
- Activity in the Community be discontinued as an employment intervention and not be available to people who are expected to return to work immediately or in the short term. The programme will continue to be available to people who are likely to take longer to return to work, or who are unlikely to return to work at all, in order to contribute to their social development outcomes.

³ This programme covers unpaid work experience.

Guidelines Framework

I propose that:

- Cabinet guidelines comprise one set of high-level guidelines outlining key objectives for all employment and training assistance, including:
 - the key expected outcome
 - key principles to guide programme development and delivery.
- Ministerial guidelines build on the Cabinet guidelines and may include restrictions on eligibility, funding and type of assistance that can be provided
- operational guidelines provide detail needed to ensure that assistance is provided appropriately.

Enhancing Expectations

I propose to enhance expectations for benefit recipients within the existing benefit structure as follows:

- applicants for Unemployment Benefit will be full-time work-tested, as at present, but must meet some additional activity requirements including:
 - attend interviews with Work and Income as required
 - attend and participate in job interviews
 - as part of their Job Seeker Agreement, undertake planning, develop a formal plan if required and undertake activities included in the plan by agreement
 - undertake a specific activity or programme included in the Job Seeker Agreement at the direction of the Chief Executive of the Ministry of Social Development in order to enhance their prospects of obtaining employment
 - undertake activities including rehabilitation, but not medical treatment, to improve their work-readiness and prospects of obtaining employment (where the person does not have a Job Seeker Agreement)
- age related work-test exemptions will be removed (these are currently available for Unemployment Benefit clients aged 60 years and over and all partners of beneficiaries from age 55 years and over)
- partners of beneficiaries will be part-time work-tested (15 hours per week) if they have a youngest child aged six years or over (currently those with a youngest child over the age of 14 years have a full-time work test)
- Sickness Benefit and Invalid's Benefit clients (unless exempt) will have planning and activity requirements, which may include:
 - engaging with Work and Income as required
 - undertaking planning and developing a formal plan if required
 - undertaking a work-related activity (if agreed in the plan)
 - reviewing plan as required

- showing commitment to the plan
- undertaking specific activities such as rehabilitation (these activities will not include work, work experience or medical treatment).
- some Invalid's Benefit clients (for example those who are terminally ill or who have very severe physical or intellectual disabilities) will be exempt from all work-related obligations
- Domestic Purposes Benefit and Widow's Benefit clients (except Care of Sick or Infirm clients) will have the enhanced planning and activity requirements set out above.

Sanctions

I propose to apply the following sanctions regime to benefit recipients within the existing benefit structure:

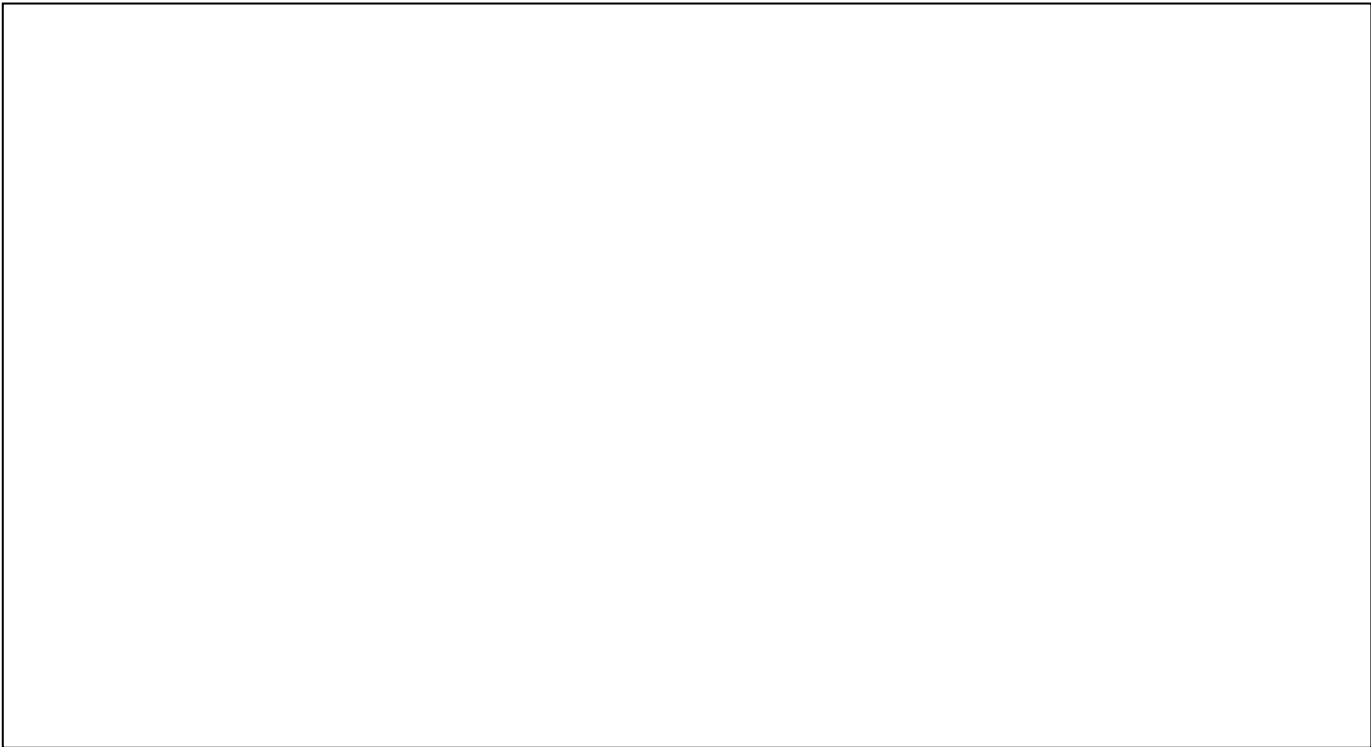
- Sickness and Invalid's Benefit clients and partners with a youngest child under six years will have the current Personal Development and Employment Plan sanctions regime with graduated sanctions and lesser penalties (a 20% reduction of benefit until compliance with a further 30% after four weeks of non-compliance)
- where there are dependent children and each partner in couple is sanctioned, a maximum penalty of 50% of the couples total benefit would apply to avoid undue hardship for all families (currently this provision is available to sole parents only).

Pre-benefit activity

I propose to introduce a pre-benefit requirement that as part of the application process for Unemployment Benefit, a person must undertake a work-related activity or activities (for example a WRK4U seminar) if directed by the Chief Executive. This proposal will strengthen the Job Search Service discussed in paragraphs 43 to 60 of this paper.

Finalising minor technical policy issues

The detail of these proposals will be decided by Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment), with delegated authority for finalising minor technical policy issues, which may arise in the drafting the proposed amendment Bill. :



Aligning eligibility criteria

Residence and qualifying child criteria

I propose to align the residence eligibility criteria for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit so that a person must:

- be a New Zealand citizen or permanent resident; and
- be ordinarily resident in New Zealand; and
- have resided continuously in New Zealand for at least two years at any one time since becoming a citizen or permanent resident.

Refugees with permanent residence will be exempt from the two-year residence requirement.

I propose that "ordinarily resident" be clarified in operational guidelines.

I propose to remove the qualifying child criteria for Domestic Purposes Benefit and Widow's Benefit so that eligibility in relation to the care of a child is determined by the child meeting the definition of "dependent child" under the Social Security Act 1964.

I propose to broaden the eligibility criteria for Domestic Purposes Benefit and Widow's Benefit so that people who are caring for a dependent child not their own can qualify for those benefits at the discretion of the Chief Executive and subject to the additional requirement that the child's parents are unable, or in exceptional circumstances unwilling, to support the child.

Full-time carers of people with ill health and people with disabilities

I propose to:

- update the eligibility requirement for carers receiving Domestic Purposes Benefit: Care of Sick or Infirm so that those who would otherwise require full-time care by hospitals, community residential services or rest homes, or equivalent levels of care in the community meet the criteria for being a care recipient
- develop, in consultation with health and disability stakeholders and other agencies, new assessment processes for people requiring full-time care. This assessment process will be piloted in one or two regions from 2008. In the interim existing general practitioner-based processes will be adjusted to reflect the new definition.

Aligning weekly assessment, payment periods and application process

I propose that:

- the maximum income stand-down period be reduced to two weeks for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit
- the exemption from the stand-down for people applying for Domestic Purposes Benefit who have entered a refuge following a breakdown in their relationship be extended to Unemployment Benefit, Invalid's Benefit, Sickness Benefit and Independent Youth Benefit in the same circumstances
- the exemption from the stand-down for people who become entitled to benefit after receiving payments under a government-assisted scheme analogous to the benefit be removed
- all new applications for benefits initially have weekly income assessments, with rules to allow people to move to annual assessment to be decided by Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment)
- an application for a benefit be defined as a written application but the date at which the application can be considered be the date of first contact

- benefit payment periods be aligned to weekly by removing the 14 and five-day payment periods for some benefit types
- Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit be paid according to a seven-day weekly pay period
- change-in-circumstances rules for sole parents be aligned so that they can continue to receive a benefit for up to eight weeks in some situations (the current rules apply to Domestic Purposes Benefit and Widow's Benefit only)
- the definition of full-time employment be amended to make it clear that an average of 30 hours or more per week is calculated over a consecutive four-week period

- regulation-making provisions be introduced for dealing with technical issues around income determinations for self-employed persons and deprivation of income.

Transitional protection

I propose to:

- continue to pay Domestic Purposes Benefit and Widow's Benefit to people who at the point of change are receiving these benefits but would not qualify in the future, as they have not been resident in New Zealand continuously for two years or more
- protect people who at the point of change are receiving Domestic Purposes Benefit and Widow's Benefit and are caring for a child not their own but who do not meet the additional requirement that the child's parents are unable, or in exceptional circumstances unwilling, to support the child
- use lump-sum payments of non-recoverable Special Needs Grants to reimburse any shortfall caused by the change from a 14- to a seven-day payment period
- at the point of change continue to pay the Domestic Purposes Benefit: Care of Sick or Infirm to 16- and 17-year-olds who are receiving the benefit but who would not qualify in the future because there are other available carers or alternative care arrangements.

Improving support and services for young people aged 16 to 19

Improving the support and services for young people receiving a benefit will contribute to the Government's and the Mayor's Taskforce for Jobs shared goal that by 2007 all 15 to 19 year olds will be engaged in appropriate education, training, work or other options which will lead to long-term economic independence and wellbeing.

Enhanced services for recipients of Independent Youth Benefit, and 18 to 19 year old recipients of Unemployment Benefit, will stem the flow of young people from Independent Youth Benefit to other benefits and will reduce the numbers of 18 to 19 year olds in receipt of Unemployment Benefit

Independent Youth Benefit initiatives

I propose to introduce initiatives such as:

- intensive one-to-one case management (including, where appropriate, joint case management between Work and Income, Child, Youth and Family, Youth Transition Services, and other providers of Youth Services)
- expanding the services to include treatment of substance abuse problems
- increasing use of existing services such as Youth Transition Services where they exist
- commencing a review of the assessment process for determining whether a family breakdown exists

- replacing the existing work-test with new activity expectations (including seeking full-time work and participating in agreed activities of between 30 and 40 hours per week) for Independent Youth Benefit recipients
- making technical amendments to legislation for young people being discharged from custody under the Children, Young Persons and their Families Act 1989 and to existing stand-down provisions.

Unemployment Benefit

Work and Income will also introduce an enhanced service for 18-and-19 year old Unemployment Benefit recipients, including:

- intensive one-to-one case management
- key intervention points at three and six month intervals
- attendance at Job Search Services and Seminars
- introducing a coaching model (including quality mentoring, job search advice and support and post-placement support for up to six months)
- use of contracted services, including career advice where needed
- a School Leaver Strategy in conjunction with the Ministry of Education.

Other initiatives

I also propose to:

- tighten eligibility for 16 and 17 year-old carers applying for Domestic Purposes Benefit: Care of Sick or Infirm, so that it is only available where there is no other carer, after consideration has been given to alternative arrangements and with regard to family circumstances
- apply the enhanced planning and activity requirements for people in receipt of non-work-tested benefits to 16 to 19 year-olds receiving those benefits.

Improving Employment Outcomes for Māori jobseekers

Initiatives to improve employment outcomes for Māori will reduce the number of Māori in receipt to Unemployment Benefit

From December 2006 I propose to introduce initiatives to improve sustainable employment outcomes for Māori on Unemployment Benefit, including:

- developing a Trade Training programme in co-operation with Te Puni Kokiri, Housing New Zealand Corporation and other government agencies to create sustainable employment schemes that will contribute to the growth of on-going jobs in these local communities and will develop the skill levels of people in those communities, particularly in provincial or rural locations
- development by the Ministry of Social Development, the Department of Building and Housing and the Housing New Zealand Corporation of stronger links with the Rural Housing Programme so that local unemployed Māori can develop skill sets that will be of

long-term benefit to their local communities and enabling the Housing New Zealand Corporation to improve and develop its housing stocks and rural living conditions

- developing employment opportunities with District Health Boards to provide entry points for Māori in the care and social services sector
- the Ministry of Social Development working actively with local and regional councils to create employment schemes that will be of benefit to local communities and will develop the skills of clients in those communities, particularly in provincial or rural communities
- development by the Ministry of Social Development of enhanced relocation assistance to enable individuals to maximise employment opportunities
- continuing and further developing initial work between Ministry of Social Development Regional Commissioners and Regional Directors of Te Puni Kokiri on a joint work programme that includes reducing unemployment numbers to provide more sustainable employment outcomes for Māori.

PART B – OVERVIEW OF DECISION-MAKING PROCESS, BACKGROUND AND POLICY OBJECTIVES

Overview of Decision-making Process

18 The Cabinet Policy Committee is asked to agree to a two-phase reform strategy for the Working New Zealand: Work-Focused Support package. I am seeking decisions on policy proposals for Phase One (Support and Services) and funding decisions for 2006/2007 as part of this paper. There are two options for the timing of decisions on policy, funding for 2007/2008 and outyears and legislation.

Option One

19

Option One seeks all substantive policy and 2006/2007 funding decisions now and 2007/2008 and outyears funding in November 2006. The November paper will also indicate the level of savings in Benefit and Other Unrequited Expenses that are expected from Vote Social Development.

20 To allow drafting instructions to be provided to Parliamentary Counsel Office, I am also seeking agreement to delegate some of the detailed policy design necessary for drafting legislation to Joint Ministers, which includes the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and myself.

21

22 Substantive policy and funding decisions on Phase Two - Structure and Additional Financial Support would be sought in Budget 2008.

Option Two

23 To allow Ministers to take decisions as part of the 2007 Budget process, Option Two seeks 2006/2007 funding decisions on Phase One - Support and Services now and substantive policy and funding decisions on Phase One for 2007/2008 and outyears as part of Budget 2007 and decisions on Phase Two: Structure and Additional Financial Support in Budget 2008.

24

Some aspects of the Phase One - Support and Services package could be implemented in July 2007, with the remainder implemented between December 2007 and May/June 2008. Because the timetable for the phased approach would be compressed to meet an early 2008 implementation date, it is riskier in terms of changes to IT, staff training and communications. It is not possible to implement the May/June 2008 changes earlier in 2008 because:

- changes are not advisable in January or February because of high workloads associated with processing benefits and responding to other seasonal influences including the start of the academic year

- system changes required for expectations proposals need significant changes to IT and could not be completed alongside the IT work required for the CPI general adjustment in April 2008.

25 Substantive policy and funding decisions on Phase Two: Structure and Additional Financial Support would be sought in Budget 2008.

Future report back

26 If the Cabinet Policy Committee elect Option One then I will report back to the Cabinet Policy Committee in November 2006 on the following:

- details of identified savings and necessary changes to departmental and non-departmental appropriations for 2007/2008 and outyears
- services and support for people in the Work Development Support and Community Support service streams.

27 I will also report back to the Cabinet Legislation Committee seeking approval for the introduction of the Social Security Amendment Bill.

28 If Ministers elect Option Two, then I will report back to the Cabinet Policy Committee as part of the 2007 Budget process.

Background

29 Cabinet has previously considered elements of the Working New Zealand: Work-Focused Support package during its development and has agreed the following:

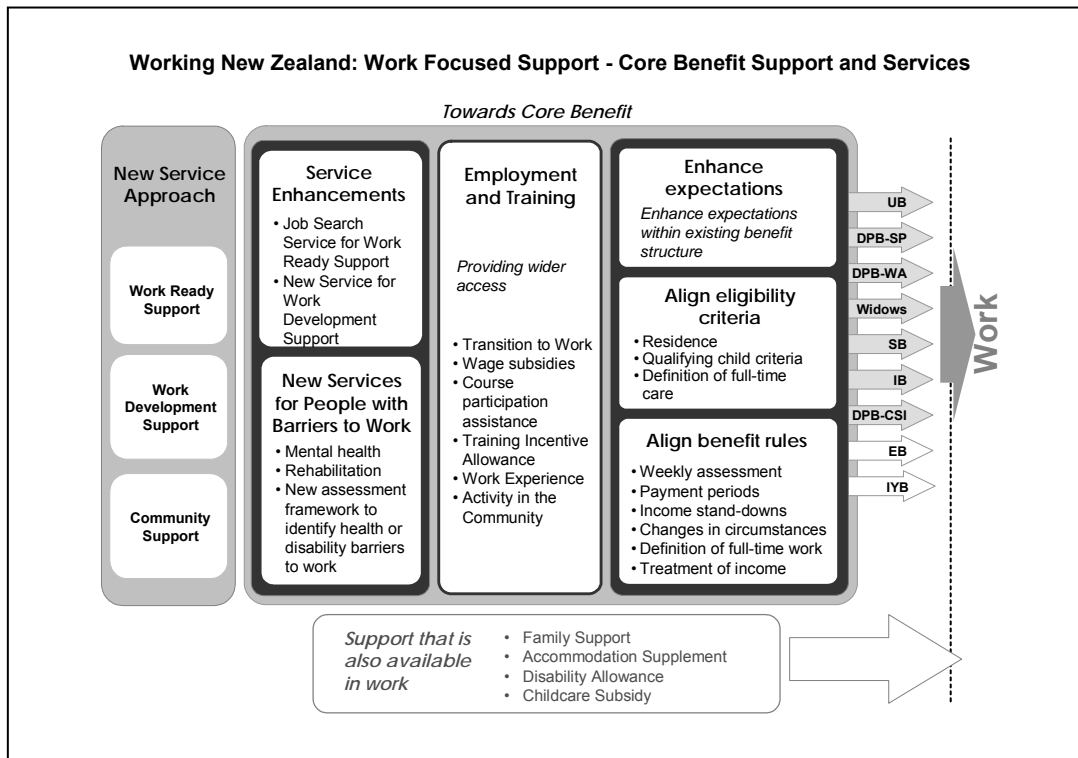
- on 14 February 2005 Cabinet agreed in principle, subject to further work, to a Core Benefit to be legislated for in July 2006 [CAB Min (05) 5/2 refers]
- on 23 May 2005 Cabinet approved the trial of a new service model prototype to improve work-focused services to all beneficiaries [CAB Min (05) 18/5 refers]
- on 1 August 2005 Cabinet agreed that the legislation providing for the introduction of the Core Benefit should also rewrite the Social Security Act 1964 and noted that further work was ongoing on the Core Benefit proposals [CAB Min (05) 28/3 refers]
- on 15 March 2006 Cabinet agreed to roll out within existing baselines, to all 142 Work and Income service centres and five contact centres in May 2006, the upfront work-focused services that had been trialled in 12 prototype service centres and two contact centres since June 2005 [CAB Min (06) 9/5 refers], and that the New Service Approach will be progressively applied to existing clients from September 2006
-
- after further discussions on 15 August 2006 the Prime Minister, the Lead Minister for the Families - Young and Old theme and the Minister for Social Development and Employment agreed the key policy elements of this package and that they be implemented in two phases.

Objectives of the Working New Zealand: Work-Focused Support Package

- 30 The proposals contained in this paper are part of a broader package of reforms to introduce a comprehensive work-focused social support system for working-age people.
- 31 The objectives of the Working New Zealand: Work-Focused Support package of reforms are to:
- increase opportunities for people to participate in the labour market, where work is an appropriate outcome
 - continue to provide social and financial support for people with temporary or long-term barriers to work.
- 32 Phase One - Support and Services will contribute to these objectives by getting the right services and support in place to help people participate or prepare for a return to the labour market.
- 33 It is proposed that Phase Two - Structure and Additional Financial Support will be introduced in 2009 – 2010 and will include:
- standardising Core Benefit rates
 - re-writing the Social Security Act 1964.

PART C: THE WORKING NEW ZEALAND: WORK-FOCUSED SUPPORT PACKAGE - SUMMARY OF PROPOSALS

- 34 This section summarises Phase One - Support and Services proposals as set out in the figure below.



35 Phase One - Support and Services will include the following components:

- providing the right services right from the start
- providing wider access to employment and training assistance
- enhancing expectations
- aligning eligibility criteria including residence
- aligning weekly assessment and payment provisions
- improving support and services for young people aged 15 to 19
- improving sustainable employment outcomes for Māori on Unemployment Benefit.

Providing the right services right from the start

Background

36 In June 2005 the Ministry of Social Development (Work and Income) introduced a prototype New Service Approach in 12 service centres and two contact centres. The New Service Approach moves to an upfront work focus, providing people with early access to the right services for their needs and circumstances, regardless of their likely benefit status. It is also consistent with the Ministry of Social Development's internal Value for Money review, which seeks to identify ways to better target resources to where they will make the greatest difference to client outcomes.

37 In March 2006 Cabinet approved [CAB Min (06) 9/5 refers] the national rollout of a New Service Approach comprising the following elements:

- a pre-assessment process for all benefit applicants

- access to WRK4U seminars for all people able to work now, regardless of what benefit they are entitled to
 - a new Work and Income seminar for those who are not ready to work now but who can work in the future
 - access to work brokerage services and a jobz4u profile for all people who are ready to work before they receive a benefit
 - wider and earlier access to employment programmes
 - an internet tool that identifies services provided by other agencies.
- 38 The rollout from May 2006 was initially to new benefit applicants, with existing beneficiaries to become actively involved from September 2006. The rollout was delivered within existing baselines and IT systems and existing legislation (therefore participation is voluntary).
- 39 The above changes mark the beginning of a process of evolution of a more work-focused service for all people, regardless of likely benefit type. Evaluation of the New Service Model prototype has found that many staff and clients found the various changes to be positive, and that participation in programmes and services for people with ill health and disabilities has improved, although within the limited timeframe for observing outcomes no significant change in benefit numbers has occurred.
- 40 The evaluation has also identified areas of the New Service Approach that could be enhanced, which officials are working through as they further develop the New Service Approach. In terms of areas to focus on, Cabinet directed officials to investigate the feasibility of improving work-focused service delivery further through:
- delivering case management and employment assistance on the basis of work status/readiness and associated service needs rather than benefit type, so that the extent and intensity of service support is driven by the number of services and level of support required by the individual client and/or their desire to work rather than their benefit type
 - setting caseload ratios on the basis of clients' service level requirements, support needs and risk of not obtaining employment without assistance, rather than benefit category
 - creating an efficient job search facilitation and assessment service focused on getting people able to work now back into work as quickly as possible within 13 weeks [SDC Min (06) 4/3 paragraph 9 refers].
- 41 Cabinet directed officials from the Ministry of Social Development (lead), Treasury, Department of Labour and other departments as appropriate to report in August 2006 with a more detailed scope of the proposed subsequent enhancements to service delivery and their feasibility, an indication of how the proposed enhancements are expected to impact on client outcomes, and timeframes for implementation and evaluation [SDC Min (06) 4/3 paragraph 11 refers].
- 42 Given the changes to the implementation of the package resulting from the discussions described in paragraph 29 above, I propose that this report back now be handled in two parts. The following sections of the current paper discuss progress that the Ministry of Social Development has already made with developing a Job Search Service element within the New Service Approach for people who are ready to work now, and provide an early indication of the likely approach for other people. I also propose that there be a further report back in November 2006 to the Cabinet Policy Committee involving the agencies listed in the original Cabinet directive on proposals for a service approach for people who are not considered

ready to work now. In particular, the November paper will focus on the service approach for people with ill health and people with disability.

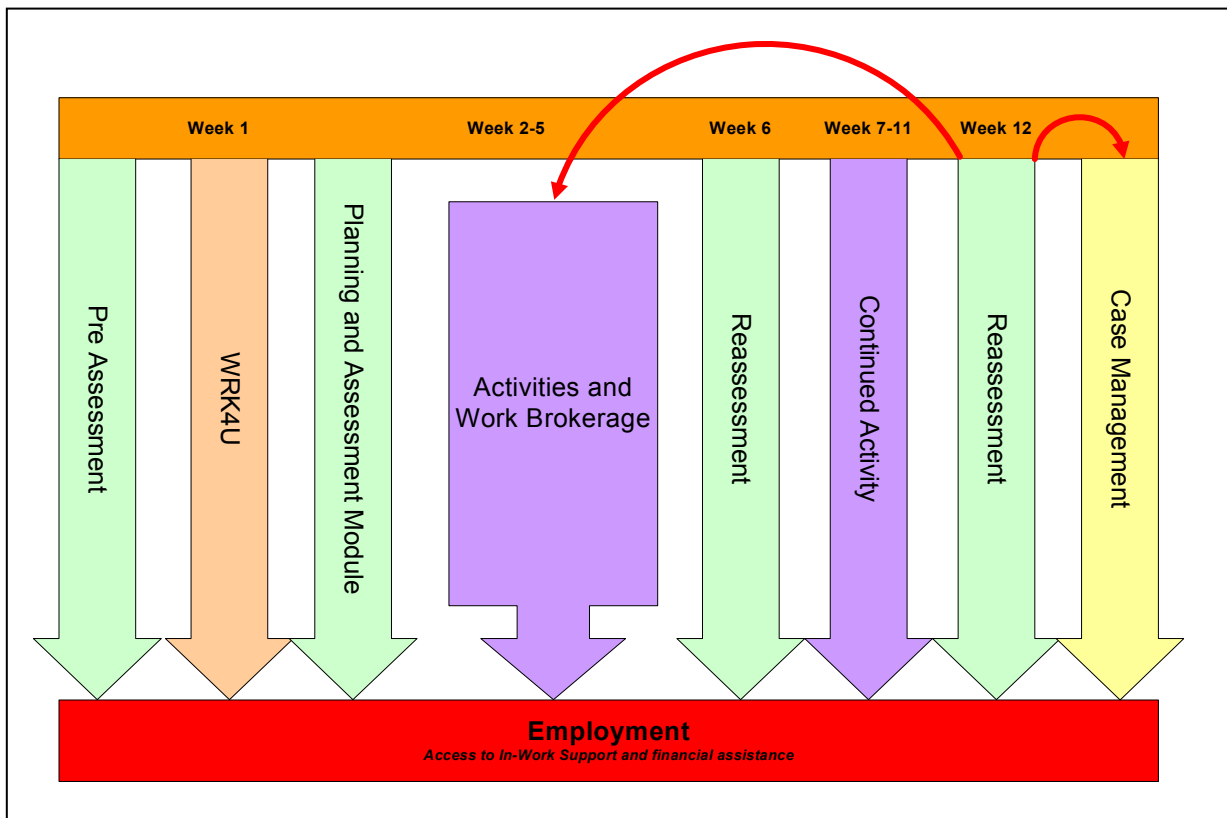
Job Search Service

- 43 Within the New Service Approach, people are streamed into Work Ready Support, Work Development Support and Community Support service streams on the basis of their readiness to work. Using current benefit types as a rough guide, Work Ready Support would comprise mainly those on Unemployment Benefit, Work Development Support would comprise mainly those on Domestic Purposes, Sickness, Invalid's and Widow's Benefits, and Community Support would comprise some people on Invalid's Benefit and those on Domestic Purposes Benefit: Care of Sick or Infirm. However, people in the Work Development Support or Community Support streams who are keen to work could opt into services in the Work Ready Support stream.
- 44 The Ministry of Social Development is now refining its approaches for working with these different streams of people within the overall New Service Approach. This work has started with the development of a Job Search Service for the Work Ready Support stream.
- 45 The Job Search Service recognises that many people who are work-ready can move quickly into work through intensive job search activity and support without the immediate need for one-to-one case management. The Job Search Service will provide intensive job-search activity and support through a person's 13-week involvement in the programme. Work and Income will continue to have regular contact with them via the contact centre and through participation in structured job-search activities to ensure that they remain engaged. It will provide structured activities that will be group managed by facilitators and ensure that where additional help is needed, people will be able to access suitable employment and training assistance. The Job Search Service will recognise those clients requiring extra support by assigning a case manager to work with them one-to-one.
- 46 In particular, the Job Search Service will include:
 - in the first week:
 - attendance at a WRK4U Seminar, where people hear about how Work and Income can assist them to get a job
 - attendance at a Planning and Assessment Module where people will complete a self-assessment to help identify the most appropriate level of job search support, and apply for financial assistance
 - development of a Service Plan once a person's application for benefit has been processed
 - from the second week onwards, a structured approach to job search activity including regular reporting and participating in various activities detailed in the person's Service Plan, including:
 - self-directed job search
 - Search4WRK – the client reports twice a week (at the service centre) on their recent job search activity and plans their next job search activities. They have access to work brokerage and job matching, and can discuss any issues they are facing with their facilitator

- In2WRK – this will be a condensed version of the current Work Track programme, which runs over three weeks. In2WRK is an intensive module run over two full days and three half days during a single week for people who need more intensive job search support. Services provided during this module include goal setting, job search skills, confidence building, compiling a CV, interviewing skills and employment relations. By condensing Work Track in this way, we will be able to provide this service to more people earlier in their time with Work and Income
- an inbound and outbound calling service through the contact centre to support and monitor a person’s progress with their job search
- access to employment and training programmes, contracted services and local labour market and employment seminars as required
- linking the person to work brokerage.

47 The following diagram shows how a typical person might progress through the Job Search Service over a 13-week period. For all people there would be reassessment points at six and 12 weeks, at which consideration would be given to how the person’s job search has been going and whether there needs to be a change to the service being provided. Once the person has been with Work and Income for 13 weeks, a decision is made as to whether they should continue with job search and work brokerage or proceed to more intensive case management.

Work Ready Support – The Job Search Service



48 Individuals will proceed through the Job Search Service in different ways and at different paces depending on their level of service need. For example, a person whose self-assessment indicates a low level of service need may spend their time on self-directed job search, with consideration given to other activities at the six and 12 week reassessments if

they have not found a job by then. A person with a medium level of service need might combine self-directed job search with participation in Search4WRK, while a person with higher needs would attend a week-long In2WRK seminar.

- 49 The service will be supported through other Work and Income initiatives such as Job Partnerships with Industry (which identifies and addresses specific industry employment needs). People will be able to access financial assistance to move into and stay in work (eg the proposed Transition to Work Grant), and will be able to access other financial support they are eligible for, including Disability Allowance and Working for Families entitlements such as Family Assistance, Childcare Assistance and the Accommodation Supplement.
- 50 The Job Search Service will be trialled in 13 service centres⁴ from September 2006 (at the same time that existing beneficiaries start participating in the New Service Approach), and will be extended to all service centres by the end of April 2007. Once fully implemented, it will include current and new Unemployment Benefit recipients and any people from other benefits who volunteer.
- 51 As a result of the Job Search Service changes, we expect to see an increase in the number of people moving into employment within the first 13 weeks. The changes will also contribute to the achievement of Work and Income's high-level sustainable employment measures, including:
- the proportion of jobseekers receiving benefit who exit into employment – 35%
 - the proportion of jobseekers who have been receiving benefit for six months or more who exit into employment – 36%
 - the average cumulative time that jobseekers who exit to work spend in employment over a year – 36.5 weeks
 - the proportion of jobseekers who exited into employment and achieved six months continuous employment – 58%.
- 52 The changes will be evaluated as part of the overall Working New Zealand: Work Focused Support evaluation.

The Service Approach for people who are not considered work ready

- 53 Officials are still considering how best to provide a work-focused service for people in the Work Development Support and Community Support service streams.
- 54 An important element of the Job Search Service is group management of people and activities, enabling resources to be transferred to the case management of people who may need a more significant level of assistance to become ready to work or to realise their goals or potential to work.
- 55 One-to-one case management for the Work Development Support and Community Support streams will provide people with the level of support that is appropriate for people to achieve their employment goals. Case management will be delivered based on the needs of the individual, and planning activities will be based on the person's circumstances rather than a

⁴ The 13 Service Centres are: Whangarei, Mangere, Dinsdale, Rotorua, Palmerston North, Napier (City and South), Wanganui, Porirua, Nelson, Christchurch City, Dunedin Central and Dunedin South.

one-size-fits-all approach. This will enable Work and Income to focus resources on appropriately supporting people towards employment.

- 56 There have been significant changes to the way that Work and Income works with sole parents in recent years. The current Personal Development and Employment Planning process seems to work well for people receiving Domestic Purposes Benefit and the enhanced expectations build on this approach. Given the proposed increase in work-related planning and activity expectations for people with ill health and people with disability from late 2007, it will be particularly important to develop a case management and planning approach for these groups that supports an enhanced employment focus while being sensitive to people's needs.
- 57 People in Work Development Support and Community Support services who want to opt into services provided in the Work Ready Support stream will be able to do this, though it is expected that they will still have one-to-one case management as they are likely to have circumstances and service needs that may be too complicated to manage in a group setting.
- 58 A further issue to be considered in designing an appropriate service approach for those in the Work Development Support and Community Support streams is caseload size. To date caseloads have tended to be driven by the benefit type of the people that the case manager deals with, although people with broadly the same circumstances may have very different levels of service need. Work and Income is considering moving to a model where, if a case manager deals with many people who have a high level of service need, they should have a lower caseload.
- 59 If we are to provide an appropriate employment-focused service to all benefit applicants, there is a clear need for more and better information about what work people in the Work Development Support stream (and to a lesser extent those in the Community Support stream) might be capable of doing, what the barriers to them doing this work might be, and what we could do to overcome them. We currently collect some of this information, but the process is not sufficiently comprehensive or streamlined. The Ministry of Social Development is currently developing a new assessment framework for people with ill health and people with disability, which will ensure that the Ministry collects the right information to assist people. The Ministry will involve health and disability stakeholders and government agencies in this work as appropriate.
- 60 I propose that officials continue to work through the detail of how targeted services and case management will look for those in the Work Development Support and Community Support streams, and report back to Cabinet Policy Committee in November 2006. This report back should also include discussion of any fiscal implications resulting from changes to case management and expected savings from moving more people into work through improved service. If Ministers agree with the proposals in November, I would expect them to be rolled out throughout 2007.

Targeted services for people with ill health and people with disabilities

- 61 Since 2003/2004 the Ministry of Social Development (Work and Income) has been placing an increasing focus on providing employment-focused services to people receiving Sickness and Invalid's Benefits. This work has highlighted the complexity of circumstances of many people on these benefits (including co-morbidity and the presence of undiagnosed mental health conditions), and the need for a wider range of targeted services to overcome health and disability barriers to sustainable employment.

62 Some progress has been made in this area. The Ministry of Social Development has introduced several relatively small-scale initiatives for people with particular circumstances, and has been progressively expanding the Providing Access to Health Solutions (PATHS)⁵ programme. As part of the New Service Approach, some additional services for people with ill health or disabilities have also been introduced:

- Employment Co-ordinators who work with case managers to assist people with higher support needs to access employment services and work
- a Preparing for Work vocational assessment tool for case managers to use when working with people with ill health or disabilities who want to work, which explores the jobs that a person would like to do, the jobs they are able to do, and what supports might be required
- Targeted Health Interventions for people wanting to return to full-time employment who require a single health intervention to enable them to return to work but are unable to access that intervention through the public health system within three months. To be eligible, people need to also show they have a job lined up.

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⁵ PATHS facilitates access to health services where this is required to overcome health barriers to employment.

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Providing wider access to employment and training assistance

- 69 There is a need to improve a number of existing employment and training programmes to address gaps in provision, remove duplication, improve responsiveness, and offer programmes to a wider range of people based on individual need rather than benefit type.
- 70 The current Guidelines Framework has a lot of administrative detail, which obscures the clarity of its overall objectives. This limits flexibility and responsiveness, creates a focus on the type of assistance rather than employment outcomes, and does not always clearly reflect participants' diverse needs or the aim of achieving sustainable employment outcomes.
- 71 The Executive Summary outlines detailed proposals to provide wider access to employment and training assistance.

Enhancing expectations

- 72 The expectations regimes in the current benefit system are very complex and often require case managers to navigate a range of rules to determine the correct expectations or exemptions. The expectations also lack coherence and a consistent work focus. Instead of a passive system where large groups of people are presumed to be unable to work, there is a need to enhance expectations so that most people are expected to work or take steps to prepare for work, where work is an appropriate outcome for them.
- 73 A comparison of the current set of expectations is attached as an appendix, with proposals for enhancing expectations in the Executive Summary.

Aligning eligibility criteria

- 74 Many of the differences in residency conditions are arbitrary or reflect out-of-date presumptions or conditions. They are also complex. Removing the qualifying child criteria for Domestic Purposes Benefit and Widow's Benefit would link residence requirements to the parent rather than the child; this is consistent with removing the child component from benefit rates as part of Working for Families and takes us one step closer towards a Core Benefit.
- 75 The eligibility criteria for Domestic Purposes Benefit: Care of Sick or Infirm are out of date; currently a carer can receive the benefit if the care recipient would otherwise require 24-hour hospital care as assessed by a general practitioner. This outmoded provision reflects the role

of hospitals in the era when they provided care services which are now usually provided by rest homes, supported accommodation services and in the community.

76 Proposals to align eligibility criteria are contained in the Executive Summary.

Aligning weekly assessment and payment provisions

77 The proposals to align weekly assessment and payment provisions detailed in the Executive Summary will simplify the current benefit system as well as helping to smooth the transition to a Core Benefit in 2009/2010.

Transitional Protection

78 A small number of the proposals outlined in the Executive Summary will have an unintended negative impact on the assistance available to some people. The objective of transitional protection is to ensure that no-one is financially disadvantaged overall at the point of change as a result of introducing the Working New Zealand: Work-Focused Support reforms.

79 Not all of the proposed changes warrant protection. For example, government assistance carries with it obligations for the Government and the recipient. Changes in expectations may result in disadvantage to existing beneficiaries, but only if they do not comply with their obligations. We should not seek to protect people from complying with their obligations, as no-one need be disadvantaged by complying with reasonable and appropriate actions expected of them.

80 We need to be flexible and responsive in preventing disadvantage, but equally we need to be creative and flexible in ensuring that the protection we provide does not in itself create long-term disadvantage.

81 Proposals for transitional protection are contained in the Executive Summary. The Ministry of Social Development will report back to Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment) on any consequential impacts of the reforms and transitional protection mechanisms required.

Improvements to support and services for young people aged 16 to 19

82 Young people receiving an Independent Youth Benefit have a heightened risk of poor outcomes, including criminal offending (particularly for males), substance abuse, teenage pregnancy, and mental or physical ill health. They are at risk of becoming disengaged from education, training or employment, and making poor life decisions.

83 Work and Income, Child, Youth and Family Services, Youth Transition Services and other providers of Youth Services will work more closely to align the services and support provided to young people receiving an Independent Youth Benefit. Agencies will also work with the families of these young people where that is appropriate.

84 Young people will be engaged in activities including training, education, employment, and other appropriate developmental activities to overcome barriers that inhibit success in life, such as low motivation, drug and alcohol abuse, and the impacts of family violence.

85 The enhancements to services and support for 16 to 19 year-olds detailed in the Executive Summary will stem the flow of young people from the Independent Youth Benefit to other benefits and will reduce the numbers of young people in receipt of Unemployment Benefit

The changes will contribute to the shared goal of the Government and Mayors' Taskforce for Jobs that by 2007 all 15 to 19 year olds will be engaged in appropriate education, training, work, or other options which will lead to long-term economic independence and wellbeing.

Improving Sustainable Employment Outcomes for Māori jobseekers

86 Good gains have been made in reducing Māori unemployment over the last four years, with the number of working-aged Māori receiving unemployment-related benefits dropping by nearly two thirds, down from 36,100 in March 2002 to 13,500 in March 2006. In the year ended June 2006 the number of Māori receiving unemployment related benefits dropped by 4,177.

87 However, Māori are still over-represented on unemployment-related benefits. Based on the June 2005 population estimates⁶, around 4% of the Māori population aged 18 to 64 are receiving an Unemployment Benefit, compared to 1.2% of other New Zealanders in the same age group. The total number of working-age Māori job seekers on Unemployment Benefit across all age groups at the end of June 2006 was just under 13,500.

88 There is an opportunity in the current economic climate to further consolidate the good employment gains that have been made to date and to further assist Māori on Unemployment Benefit across the country and in specific metropolitan areas to enter into employment that provides lasting economic advantage to both themselves and their communities.

89 The initiatives detailed in the Executive Summary are aimed at improving sustainable employment outcomes for Māori to reduce the number of Māori jobseekers in receipt of Unemployment Benefit

PART D: IMPACTS OF THE WORKING NEW ZEALAND: WORK-FOCUSED SUPPORT PACKAGE

90 This section sets out the potential impact of the Working New Zealand: Work-Focused Support package on the labour market participation of people on benefit. This section also discusses the potential flow-on implications of the package to other forms of government assistance.

Working New Zealand: Work-Focused Support package and labour market participation

Forecast Savings

91 The Working New Zealand: Work-Focused Support package (Phase One and Phase Two) is expected to reduce numbers applying for benefit and shorten the duration of benefit receipt.

⁶ Statistics New Zealand, 2005.

- 92 In Budget 2003 the Ministry of Social Development provided a mid-point forecast of spending on core benefits⁷ in 2005/2006 of \$6.777 billion. The estimated actual expenditure included in Budget 2006 for the 2005/2006 year was \$5.924 billion, a reduction of \$853 million. Likewise, the forecast expenditure for 2006/2007 has steadily declined since Budget 2003 by more than \$850 million. This reflects the lower numbers on benefit (a drop of around 74,000 between Budget 2003 and Budget 2006), particularly Unemployment Benefit and Domestic Purposes-related benefits. The reduction is a result of a strong economy and of a number of government initiatives to reduce duration on benefit and moving people into sustainable employment.
- 93 A recent reassessment of the number of people on Domestic Purposes-related benefits is estimated to reduce expenditure by around \$30 million in 2006/2007 and outyears, based on current economic conditions.
- 94 The combined impact of the changes proposed in the Working New Zealand: Work-Focused Support package is expected to reduce the number of people on benefit even further. It will take some time for the behavioural changes to reach full effect.

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- 97 There may be other small reductions in benefit numbers from the changes in this package (such as the removal of the age exemption for work-testing) but they are not able to be quantified.

Flow-ons

- 98 The social support system is complex. The Working New Zealand: Work-Focused Support package may have consequential impacts on assistance delivered by other agencies. The Ministry of Social Development will be working, in conjunction with other agencies, to identify the consequential impacts of these reforms. Transitional protection options will be developed where a flow-on is identified that would result in a reduction in the overall level of funding and/or assistance received by other agencies or individuals as a result of these reforms. I will report back to Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment) with any consequential impacts.

⁷ Vote: Social Development, excluding New Zealand Superannuation, student-related spending, debts and overseas pensions received.

PART E: IMPLEMENTATION, MONITORING AND EVALUATION

Phased approach to implementation

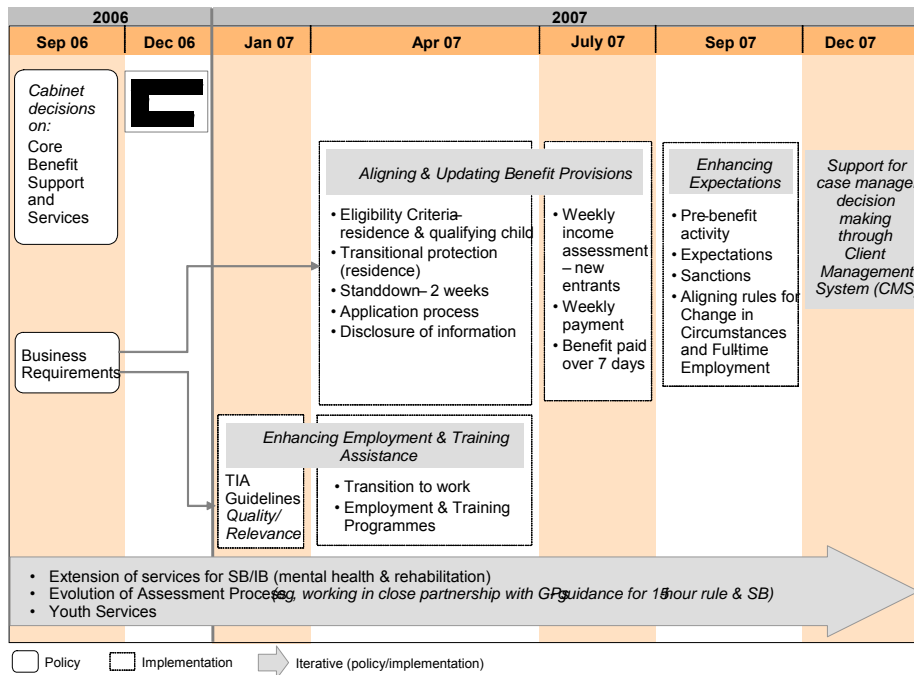
- 99 It is proposed to phase implementation of Working New Zealand: Work Focused Support with the introduction of the whole package to be completed by no later than April 2010. In developing the implementation plan, consideration has been given to the impact of the package on the public, and the capability and capacity of the Ministry of Social Development to deliver the changes.
- 100 The implementation timetable depends on whether Ministers take decisions now or as part of the Budget 2007 process. The implementation timetables for each of the options are set out below.

Phase One - Support and Services (Option One - decisions being taken now)

- 101 Phase One - Support and Services (decisions being taken now) implementation dates would be as follows:
- enhancing employment and training assistance, for introduction between January 2007 and April 2007
 - making legislative amendments to the Social Security Act to support the proposed changes,
 - aligning benefit provisions to ensure a smooth transition from the existing benefit structure to a Core Benefit in 2009/2010, between April 2007 and July 2007
 - enhancing expectations so that more people engage in activities that help them move towards employment, in September 2007
 - introducing more support for case manager decision-making through the Client Management System from December 2007.

- 102 The figure below summarises this implementation timetable.

CORE BENEFIT SUPPORT AND SERVICES – PHASE ONE TIMETABLE (OPTION ONE)



Phase One - Support and Services (Option Two - decisions being taken as part of Budget 2007)

103 Phase One - Support and Services (decisions being taken as part of Budget 2007) would mean delayed implementation dates as follows:

- enhancing employment and training assistance (with the exception of the Transition to Work Grant), for introduction between January 2007 and April 2007
- making legislative amendments to the Social Security Act to support the proposed changes,
- aligning benefit provisions to ensure a smooth transition from the existing benefit structure to a Core Benefit in 2009/2010, between July 2007 and December 2007
- introducing more support for case manager decision-making through the Client Management System from December 2007
- enhancing expectations so that more people engage in activities that help them move towards employment, in May/June 2008.

Phase Two - Structure and Additional Financial Support

104 Phase Two - Structure and Additional Financial Support includes:

- standardising Core Benefit rates

- - a transitional mechanism to protect existing people on benefit at the point of change
 -
-
- rewriting the Social Security Act 1964.

Monitoring and evaluation

- 105 A comprehensive evaluation of the proposed benefit reforms is planned, to ensure that they are implemented successfully, and to attempt to measure, to the extent possible, the effect of the changes. Evaluation findings will be reported in summary to Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment) at half-yearly intervals, commencing with an initial briefing in the second half of 2007. Monitoring and forecasting data will continue to be reported through existing mechanisms.
- 106 It may not be possible to clearly link changes in labour market participation to the effect of the package as a whole or to specific components of it. Difficulties in separating Work and Income's impact on labour market participation from broader economic factors, such as exchange rates and balance of trade, may constrain our ultimate understanding of the package's effect.
- 107 I will report back to Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment) on the outcomes that the Working New Zealand: Work Focused Support package aims to achieve, and on a monitoring and evaluation programme to measure these outcomes. The monitoring and evaluation will, to the extent possible, attempt to isolate the operation and effect of the package for different demographic groups, including youth and Māori, to help us understand whether and how the package contributes to meeting the Government's specific goals for these groups.

PART F: FINANCIAL IMPLICATIONS

- 108 The Ministry of Social Development has estimated the cost of the Phase One - Support and Services package and the likely savings that could be achieved through the reduction of numbers on benefit. The costs and savings are based on a number of assumptions and forecasts about the growth of beneficiary numbers over time, inflation and economic pressures, and the extent of capacity of the social sector to deliver services. The profile of spending over time is also dependent on the decisions on the legislative timetable.
- 109 The Ministry of Social Development has absorbed the cost of developing the package up until 30 June 2006 and has undertaken a Value for Money departmental baseline review for 2006/2007 and outyears. The review has identified a number of existing cost pressures, and strategies to address those cost pressures, for the existing level of service provision. The Phase One - Support and Services package seeks to increase the level of service provision by the Ministry and it will not be able to meet all of the cost directly from within existing

departmental funding. There is the ability to meet some of the cost from within other areas of Vote Social Development, with Cabinet approval.

110 I am seeking approval to fund the implementation costs for 2006/2007 now. The implementation costs are to apply operational and IT systems changes for the proposals agreed in this paper, including training and communications as well as to continue policy development of the wider package and to provide for monitoring and evaluation.

111 To mitigate some of the implementation cost in 2006/2007 I seek agreement to transfer an anticipated underspend in the capped Training Incentive Allowance appropriation of \$6.230 million in 2006/2007. The underspend is anticipated due to better targeting of resources to more effective outcomes and a reduction in Domestic Purposes- and Unemployment-related Benefit numbers in the last year.

112 The estimated cost of Phase One - Support and Services across all years is set out in the table below. Under Option One the costs for 2007/2008 and outyears will be funded as a pre-Budget decision in the November 2006 report back, highlighting the savings in the main working-aged Benefits and Other Unrequited Expenses from Vote Social Development. Under Option Two funding for 2007/2008 and outyears will be sought as part of the Budget 2007 process.

Deferring decisions until Budget 2007 (Option Two) would defer cost in accordance with the delayed timetable.

Vote Social Development	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Estimate of total operating	9.3	26.6	22.4	18.8	18.6

Note: Numbers may not add due to rounding

113 Under Option One I would report back to the Cabinet Policy Committee in November 2006 with details of identified savings and seeking pre-Budget approval for the necessary changes to departmental and non-departmental appropriations to implement the Phase One package. The identified savings would be approved and incorporated into baselines as part of the next Economic and Fiscal Update, likely to be in December 2006.

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115 There will be additional costs associated with Phase Two - Structure and Additional Financial Support that will be considered in 2008/2009 as policy is developed.

Treasury comment

116 The proposals raise major issues with respect to value for money and the relationship with the Budget process.

Value for money

117 The Phase One proposals do not offer value for money. Around \$100 million of total funding for Phase One is sought from 2007/2008 to 2011/2012. A significant proportion of these costs are for benefit administration, such as systems changes and project management. The paper provides no evidence that the core package would deliver savings to justify the scale of these costs. In particular:

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- With respect to Maori beneficiaries and youth unemployment beneficiaries,
 - the initiatives have little to do with the rest of Working New Zealand and so could be achieved without incurring most of the costs of this package
 - the savings do not appear to be based on robust policy or empirical analysis, with an associated risk that benefits are overstated and
 - the targeting of Maori beneficiaries and youth unemployment beneficiaries risks giving perverse incentives for Work and Income to focus on these groups, at the expense of the wider set of beneficiaries,
- There is a risk that overall Phase One costs will increase from those stated in the paper because some aspects have not been costed, notably the proposals for Maori and youth
- There are also options to defer some elements of the package until Phase Two without significantly impacting on the employment objectives of the package. These options would save at least \$17 million from 2007/2008 to 2009/2010 and include:
 - aligning benefit payment periods (deferring around \$7 million in 2007/2008 until 2010/2011)
 - reducing maximum income stand-down periods to two weeks, saving around \$10 million from 2007/2008 to 2009/2010.

Relationship with the Budget process

118 Agreeing to policy and costs for Phase One pre-commits significant funding. The proposals are not being evaluated against other Budget bids under the Families Young and Old theme. Doing so would:

- provide assurance that the proposals have been prioritised against competing bids
- allow more time for the Ministry of Social Development to address the issues raised above around value for money and

- enable decisions to be made in the context of better information on funding available for Budget 2007.

Treasury proposal

119 Treasury supports approval of the \$15.53 million 2006/2007 implementation costs (\$9.3 million operating impact) to allow the Ministry of Social Development to continue working on Phase One - Services and Support. However, the above issues suggest that approval for 2007/2008 and outyears costs – and consequently all substantive policy decisions – be considered as part of Budget 2007.

PART G: OTHER IMPLICATIONS

Consultation

120 The Department of the Prime Minister and Cabinet, Office for Disability Issues, Ministry of Health, Department of Labour, Treasury, Ministry of Women's Affairs, Te Puni Kokiri, and Accident Compensation Corporation have been consulted in the development of these policies. Within the Ministry of Social Development, the Ministry of Youth Development and Child Youth and Family have also been consulted.

121 The previous suite of papers were also distributed to the following agencies for comment: Inland Revenue Department, Ministry of Education, Department of Internal Affairs, State Services Commission, Ministry of Foreign Affairs and Trade, Families Commission, Tertiary Education Commission, Housing New Zealand Corporation, Department of Corrections, Ministry of Economic Development, Ministry of Pacific Island Affairs, Ministry of Justice, Statistics New Zealand, Department of Building and Housing.

122 This paper has been distributed to the following agencies for comment: Department of the Prime Minister and Cabinet, Office for Disability Issues, Ministry of Health, Department of Labour, Treasury, Ministry of Women's Affairs, Te Puni Kokiri, Accident Compensation Corporation, Inland Revenue Department, Ministry of Education, Department of Internal Affairs, State Services Commission, Ministry of Foreign Affairs and Trade, Families Commission, Tertiary Education Commission, Housing New Zealand Corporation, Department of Corrections, Ministry of Economic Development, Ministry of Pacific Island Affairs, Ministry of Justice, Statistics New Zealand. Where comments have been provided, these have been incorporated into this paper.

Regulatory impact and compliance cost statement

130 A copy of the regulatory impact and compliance cost statement is attached.

Gender implications

- 131 The majority of working-age benefit recipients are female (61% of the total or 172,000 at the end of June 2006). In particular, women make up a very high proportion of people on Domestic Purposes Benefit (90%). The Working New Zealand: Work-Focused Support package is likely to be of significant benefit to women as it will provide services to people irrespective of benefit type and expectations stream, supporting their participation in employment where appropriate.
- 132 Sole parents with dependent children up to the age of 18 years would not be work-tested, enabling them to take up employment to the extent that their personal and family circumstances allow. Some main carers in a couple with dependent children (with the youngest child aged 14 to 18 years) will also face reduced expectations, supporting greater

choices for these primary carers around work and parenting. These proposals are likely to benefit women.

- 133 Moving to weekly assessment of income for new applicants is likely to affect women particularly (as both Domestic Purposes Benefit and Widow's Benefit allow for annual assessment), but new rules will still enable some people to opt for annual assessment.

Implications for Māori and Pacific Peoples

- 134 Māori and Pacific Peoples tend to have lower individual and household incomes compared to the rest of the population and make up a significant proportion of people receiving unemployment-related benefits. At the end of June 2006 Māori and Pacific Peoples made up 33.9% and 8.0% respectively of all unemployment-related beneficiaries (13,500 and 3,200), 40.2% and 9.4% of all Domestic Purposes-related benefits (40,800 and 9,600) and 22.5% and 5.1% of ill health- or disability-related benefits (27,600 Māori and 6,300 Pacific Peoples respectively).⁸ At the 2001 Census, 13.4% of the New Zealand population aged 15 to 64 years were Māori and 5.7% were Pacific Peoples.⁹
- 135 The package will improve outcomes for Māori and Pacific Peoples by providing support and introducing initiatives to increase their labour market participation. The impact of the package will most likely be greater for women than men, as male labour market participation rates are higher.
- 136 The reforms, particularly changes to employment and training assistance, will support people into more sustainable employment. This will have a positive impact on Māori and Pacific Peoples as they are more likely to be in low-skilled and in low-paid occupations which leave them vulnerable to economic downturns and frictional unemployment.
- 137 As more people are taking up employment and training opportunities there will be a need for culturally appropriate and affordable childcare. The Childcare Subsidy provides assistance with the costs of childcare, including Kohanga Reo and Pacific Early Childhood Education Services. The Training Incentive Allowance and the Course Participation Grant will also assist with the costs of formal and informal childcare while parents are participating in training.
- 138 A system that is easier to understand, with a greater emphasis on individualised service, is likely to be beneficial for Pacific Peoples, especially where language and access to information is already a barrier.

Disability perspective

- 139 People with a disability are more likely to be on benefit than people without a disability. The Working New Zealand: Work-Focused Support Package is therefore likely to be of significant benefit to this group. In particular the proposals to enhance services and expectations should improve the employment prospects of people with a disability.

⁸ Benefit numbers at end of March 2006. Unemployment-related benefits includes Unemployment Benefit, Unemployment Benefit Hardship; Domestic Purposes-related benefits includes Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Women Alone, Emergency Maintenance Allowance; Ill health- and disability-related benefits includes Invalid's Benefit, Sickness Benefit, Sickness Benefit Hardship.

⁹ Proportions of population aged 15 to 64 at Census 2001.

140 Discussions to date suggest that there is general support for providing more services to assist people with disabilities into work. Consumer organisations were concerned about possible adverse impacts of the Working New Zealand: Work Focused Support package on consumers, and requested that they be fully consulted particularly on the health or disability assessment framework.

Publicity

141 The Ministry of Social Development will develop a communications approach in consultation with my office.

PART H: RECOMMENDATIONS

142 The following recommendations seek agreement to policy proposals to improve support and services. There are two options for the timing of decisions on policy, funding and implementation of the package.

143 Option One requires decisions to be taken now, and will enable implementation of the package to be completed by September 2007. Option Two defers decisions until Budget 2007 as part of the Budget process, and will delay implementation of the package until May/June 2008.

144 The structure of the recommendations is as follows:

- Recommendations 1 to 2 set out the funding implications for 2006/2007
- Recommendations 3 to 35 seek decisions on:
 - improvements to employment and training assistance that do not require additional funding and can therefore be introduced by April 2007
 - initiatives to improve support and services to young people and promote sustainable employment outcomes for Maori jobseekers which will be funded from within existing baselines.
- Recommendation 36 notes that there are a number of options to fund the package with recommendations 37 to 38 setting out benefit savings and recommendation 39 noting the cost of the package
- Recommendations 40 to 43 set out the key decisions that need to be made under Option One. If the Cabinet Policy Committee agrees to Option One then recommendations 47 to 129 need to be considered
- Recommendations 44 to 46 sets out the key decisions for Option Two which seek agreement to defer decisions until Budget 2007. If the Cabinet Policy Committee agrees to Option Two then recommendations 47 to 129 do not need to be considered at this time.

It is recommended that the Committee:

2006/2007 funding implications

- 1 **approve** the following changes to appropriations to begin implementing the improvements in support and service delivery and providing ongoing policy development, monitoring and evaluation, with a corresponding impact on the operating balance:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Departmental Output Expense: Policy and Purchase Advice	0.752	-	-	-	-
Services to Minimise the Duration of Unemployment and Move People into Work	1.292	-	-	-	-
Services to Provide Benefit Entitlements to Working Age Beneficiaries and to Promote Self Sufficiency	10.821	-	-	-	-
Services to Seniors	1.600	-	-	-	-
Services to Students (funded by revenue Crown)	1.065	-	-	-	-
Benefits and Other Unrequited Expenses: Training Incentive Allowance	(6.230)	-	-	-	-
Total Operating	9.300	-	-	-	-

- 2 **agree** that the changes to appropriations for 2006/2007 set out in recommendation 1 above be included in the 2006/2007 Supplementary Estimates and that, in the interim, these expenses be met from Imprest Supply;

Improving employment and training assistance

- 3 **note** that a review of the range of employment and training programmes, the rules governing them, and the way they are funded has recommended changes to the way in which programmes are managed, to improve flexibility, responsiveness and outcomes;

Training Incentive Allowance

- 4 **note** that the Training Incentive Allowance is not an entitlement, and is available to people receiving the Domestic Purposes Benefit or the Invalid's Benefit to assist with fees, caring costs and transport costs associated with study;
- 5 **agree** that the Training Incentive Allowance be retained, but modified from January 2007 so that the course is required to either:
- 5.1 attract Student Component or other government funding, as specified in the Tertiary Education Commission's quality and relevance standards for Student Loans or Allowances; or
- 5.2 be an explicitly specified course that is considered to meet quality and relevance criteria but is not student component-funded, such as Training Opportunities courses, secondary school courses and university pre-enrolment courses;

- 6 **agree** that where a person is currently midway through a course that does not meet the new government quality and relevance criteria from 1 January 2007 their access to the Training Incentive Allowance will be grand-parented until course completion for up to three years;
- 7 **invite** the Minister for Social Development and Employment to make the changes to the Training Incentive Allowance Ministerial Welfare Programme necessary to give effect to the changes outlined in recommendations 5 to 6 above;

Course Participation Assistance Grant

- 8 **note** that a review of employment and training assistance found that while the Training Incentive Allowance successfully assists qualifying beneficiaries to undertake long-term study, there is a lack of equivalent financial assistance for the wider range of beneficiaries undertaking desirable shorter-term training, and this is adversely affecting outcomes;
- 9 **note** that the Occupational Training Course Fees Special Needs Grant provides up to \$200 in any 52- week period to cover occupational training course fees;
- 10 **agree** that a Course Participation Assistance Grant be established to enable Work and Income to assist people to meet the financial costs of participating in training and work-related skills development programmes where these are an impediment to participation and that it subsume the Occupational Training Special Needs Grant;
- 11 **agree** that the Course Participation Assistance Grant will not be an entitlement but will be available to all people who are on benefit or on stand-down for benefit;
- 12 **agree** that the Course Participation Assistance Grant be available to meet the following costs where these are not met by other forms of social assistance:
 - 12.1 transport costs;
 - 12.2 caring, including childcare, care for people with disabilities, and care for old people (both formal and informal);
 - 12.3 costs currently covered by the Occupational Training Course Fees Special Needs Grant;
- 13 **note** that the Course Participation Assistance Grant will not cover the cost of course fees unless they are for an occupational training course, currently covered under the Occupational Training Special Needs Grant;
- 14 **agree** that the Course Participation Assistance Grant be available within a 52-week period within a maximum amount of \$1,000, with maxima to be specified in Ministerial Guidelines (consistent with recommendation 27.2) and weekly maxima (which will not exceed the weekly maxima for ongoing costs applicable to the Training Incentive Allowance) to be outlined as part of Operational Guidelines;
- 15 **invite** the Minister for Social Development and Employment to establish a new Course Participation Assistance Ministerial Welfare programme to give effect to the decisions in recommendations 10 to 12 and 14 above, including revocation of the Occupational Training Course Fees Special Needs Grant;

- 16 **agree** that the Course Participation Assistance Grant be funded from within the Training Incentive Allowance appropriation, and that the scope descriptions be amended accordingly;
- 17 **agree** that the Occupational Training Course Fees component of the Special Needs Grants appropriation, currently \$0.5 million per year, be transferred into the Training Incentive Allowance Appropriation;
- 18 **approve** the following changes to appropriations, to provide for funding of the Course Participation Assistance Grant, with a corresponding impact on the operating balance:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11& Outyears
Benefits and Other Unrequited Expenses: Training Incentive Allowance	0.083	0.500	0.500	0.500	0.500
Special Needs Grants	(0.083)	(0.500)	(0.500)	(0.500)	(0.500)
Total Operating	-	-	-	-	-

- 19 **agree** that the changes to appropriations for 2006/2007 above be included in the 2006/2007 Supplementary Estimates and that, in the interim, these expenses be met from Imprest Supply;

Wage Subsidies

- 20 **agree** to consolidate the seven types of wage subsidies administered by the Ministry of Social Development into two subsidies:
- 20.1 a Skills Investment Subsidy that contributes to a person's wages for up to 52 weeks (within maxima set at Ministerial level) to attach a disadvantaged jobseeker to a permanent position;
- 20.2 a Time-Limited Project Subsidy that focuses on those people who are furthest from achieving sustainable employment and is available for fixed-term or environmental projects that would not otherwise be done, with projects limited to less than six months;

Work Experience

- 21 **agree** that Work Experience be modified to enhance access, increase effectiveness and further mitigate risk through:
- 21.1 active case management and supervision to ensure that progression is made towards positive and sustainable employment outcomes;
- 21.2 duration remaining capped at four weeks but with a maximum limit of 40 working hours;
- 21.3 clarification that there is no expectation that the individual be employed by the employer providing the work experience;

21.4 clarification of the rights and responsibilities of the individual, the employer and Work and Income, including that participation is voluntary, that the Health and Safety in Employment Act 1992 applies, and that employers are responsible for health and safety of the individual within the workplace;

21.5 provision of robust guidelines around placements in industries and occupations that carry a high risk of employer exploitation;

21.6 monitoring of programme use, including national monitoring of how often employers are providing work experience;

Activity in the Community

22 **agree** that Activity in the Community be:

22.1 unavailable to people who are work-tested;

22.2 available to people who are likely to take longer to return to work (people who are not work-tested) or who are unlikely to return to work at all (people exempt from engaging in jobseeking and planning activities), to contribute to their social development outcomes;

Cabinet Guidelines

23 **note** that Cabinet Guidelines and Ministerial Guidelines governing programmes are fragmented and complex, with limited flexibility and responsiveness, and operational decisions often being prescribed at Cabinet and Ministerial level

24 **agree** that Cabinet Guidelines be replaced by one set of high-level guidelines that outline key objectives for all employment and training programmes and include:

24.1 the key expected outcome;

24.2 key principles to guide programme development and delivery;

25 **agree** to the following Cabinet Guidelines for employment and training assistance programmes:

CABINET'S KEY OUTCOME

Employment Assistance will help to increase working-age people's achievement of social and financial independence by supporting them toward unsubsidised and sustainable employment outcomes as circumstances allow

CABINET PRINCIPLES

Cabinet principles drive the development and delivery of employment assistance. The six key principles are:

- Employment assistance will help to achieve Government's labour market goals, as communicated by the Minister for Social Development and Employment and the Minister of Labour
- In general, working-age people are better off in employment
- Employment assistance is available for all people within New Zealand's working-age population
- Employment assistance will be monitored, evaluated, and based on evidence of 'what works'
- Employment assistance resources will be allocated where potential benefits are greatest
- Employment assistance should minimise adverse impacts on the labour market and should not substitute or displace people within New Zealand's workforce.

- 26 **agree** that Cabinet Guidelines and Ministerial Guidelines be reviewed to ensure they remain appropriate and relevant as required, no less than every three years;
- 27 **agree** that the Minister for Social Development and Employment establish Ministerial Guidelines which build on and will be subject to Cabinet Guidelines, and contain the following information:
- 27.1 expected outcomes;
 - 27.2 maximum annual payment for individual programmes;
 - 27.3 risk strategies;
 - 27.4 eligibility criteria (aligned with the New Service Approach);
- 28 **invite** the Minister for Social Development and Employment to develop a new Ministerial Guideline structure in time for implementation of changes to employment and training assistance;
- 29 **agree** that Operational Guidelines continue to be developed internally by the Ministry of Social Development, to give effect to Cabinet Guidelines and Ministerial Guidelines;
- 30 **agree** that monitoring and evaluation requirements and the ability to set weekly maximum payments, within caps set at Ministerial level, will move from Ministerial to operational level;

Improving support and services to young people aged 16 to 19

- 31 **note** that enhanced services for recipients of Independent Youth Benefit and 18 to 19 year old recipients of Unemployment Benefit will stem the flow of young people from Independent Youth Benefit to other benefits and will reduce the numbers of 18 to 19 year olds in receipt of Unemployment Benefit ;
- 32 **note** that from October 2006, the Ministry of Social Development is introducing enhanced services for recipients of the Independent Youth Benefit, and 18 and 19 year-

old recipients of the Unemployment Benefit, including the following initiatives, which will be funded from within existing baselines:

- 32.1 intensive one-to-one case management (including, where appropriate, joint case management between Work and Income, Child, Youth and Family, Youth Transition Services, and other providers of Youth Services);
- 32.2 expanding the services to include treatment of substance abuse problems;
- 32.3 increasing use of existing services such as Youth Transition Services where they exist;
- 32.4 commencing a review of the assessment process for determining whether a family breakdown exists;
- 32.5 key intervention points at three and six month intervals;
- 32.6 attendance at Job Search Services and Seminars;
- 32.7 introducing a coaching model (including quality mentoring, job search advice and support and post-placement support for up to six months);
- 32.8 use of contracted services, including career advice where needed;
- 32.9 a School Leaver Strategy in conjunction with the Ministry of Education;

Improving sustainable employment outcomes for Māori jobseekers

- 33 **note** that Māori are over-represented on unemployment-related benefits with around 4% of the Māori population aged 18 to 64 receiving an Unemployment Benefit, compared to 1.2% of other New Zealanders in the same age group;
- 34 **note** that initiatives to improve sustainable employment outcomes for Māori will reduce the number of Māori jobseekers in receipt of Unemployment Benefit
;
- 35 **direct** the Ministry of Social Development, in consultation with relevant agencies, to implement initiatives to improve sustainable employment outcomes for Māori, funded from within existing baselines, including:
 - 35.1 concentrating initiatives (such as industry partnerships) on South Auckland, around sites with high Māori populations;
 - 35.2 working with other agencies to create sustainable employment for tradespeople through skills development;
 - 35.3 ensuring that the Rural Housing Programme enables local unemployed Māori to develop skill sets that will be of long-term benefit to their local communities;
 - 35.4 working with District Health Boards to develop employment opportunities to provide entry points for Māori in the care and social services sector;
 - 35.5 working actively with local and regional councils to create employment schemes that will be of benefit to local communities and will develop the skills of clients in those communities, particularly in provincial or rural communities;

35.6 development of enhanced relocation assistance to enable individuals to maximise these opportunities;

2007/2008 and outyears funding implications

36 **note** that there are a number of options for funding the package of Phase One policy initiatives, including the use of savings within Vote Social Development;

Benefit Savings

37 **note** that initiatives to reduce the number of Maori benefit recipients and 18 to 19 year old Unemployment Benefit recipients are forecast to reduce benefit expenditure

;

38 **note** that a recent reassessment of the number of people receiving Domestic Purposes Benefits is estimated to reduce benefit expenditure by around \$30 million in 2006/2007 and outyears;

Costs of the package

39 **note** that Phase One – Support and Services is expected to have costs in 2007/2008 and outyears as set out in the table below,

:

	\$m - increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2007/08	2008/09	2009/10	2010/11	2011/12 & outyears
Estimate of Total Operating	26.6	22.4	18.8	18.6	18.6

EITHER (OPTION ONE)

40 **agree** that decisions to fund 2007/2008 and outyears be made prior to the Budget 2007 process;

and

41 **invite** the Minister for Social Development and Employment to report back to the Cabinet Policy Committee in November 2006 on the details of savings identified, and seeking approval for the necessary changes to departmental and non-departmental appropriations to implement the package, at that time;

and

42 **note** that the reduction in the main working-aged Benefits and Other Unrequited Expenses in Vote Social Development referred to in recommendations 37 and 38 above more than exceed the likely costs of the Phase One package, and will be incorporated into baselines through the next Economic and Fiscal Update;

and

43 **agree** that the substantive Phase One policy decisions that require funding or changes to appropriations, as set out in recommendations 47 to 129 below, be made now to enable Phase One to be implemented between January 2007 and December 2007, as set out in the following timetable:

43.1 enhancing employment and training assistance, to be introduced between January 2007 and April 2007;

43.2 making legislative amendments to support the proposed changes, with the Social Security Amendment Bill to be introduced ;

43.3 aligning benefit provisions to ensure a smooth transition from the existing benefit structure to a Core Benefit in 2009/2010, between April 2007 and July 2007;

43.4 enhancing expectations so that more people engage in activities that help them move towards employment, in September 2007;

43.5 introducing more support for case manager decision-making through the Client Management System in December 2007;

OR (OPTION TWO - Treasury preferred)

44 **agree** that the substantive Phase One - Services and Support policy decisions in 2007/2008 and outyears be made as part of the Families Young and Old theme in Budget 2007, where Working New Zealand: Work-Focused Support can be considered against other priorities;

and

45 **defer** decisions on recommendations 47 to 129;

and

46 **note** that this would enable Phase One to be implemented on a delayed timetable between January 2007 and May/June 2008 as set out below:

46.1 enhancing employment and training assistance (with the exception of the Transition to Work Grant), to be introduced between January 2007 and April 2007

46.2 making legislative amendments to support the proposed changes,
;

46.3 aligning benefit provisions to ensure a smooth transition from the existing benefit structure to a Core Benefit in 2009/2010, between July 2007 and December 2007;

46.4 introducing more support for case manager decision-making through the Client Management System in December 2007;

46.5 enhancing expectations so that more people engage in activities that help them move towards employment, in May/June 2008;

Working New Zealand: Work-Focused Support – Option One policy decisions

- 47 **agree** that further reform of the benefit system should be undertaken to focus on increasing employment opportunities for all working-age New Zealanders;
- 48 **agree** that the objectives of the Working New Zealand: Work-Focused Support package are to:
 - 48.1 increase opportunities for labour market participation where work is an appropriate outcome;
 - 48.2 continue to provide social and financial support for people with temporary or long-term barriers to work;
- 49 **agree** that the Core Benefit reform be introduced in two phases:
 - 49.1 Phase One - Support and Services;
 - 49.2 Phase Two - Structure and Additional Financial Support;

Providing the right services right from the start

Work Ready Support: New Service Approach

- 50 **note** that Work and Income rolled out the New Service Approach for new applicants from May 2006, and will roll it out progressively for existing clients from September 2006;
- 51 **note** that in March 2006, Cabinet directed officials from the Ministry of Social Development (lead), Treasury, Department of Labour and other departments as appropriate to report in August 2006 with a more detailed scope of the proposed subsequent enhancements to service delivery and their feasibility, an indication of how the proposed enhancements are expected to impact on client outcomes, and timeframes for implementation and evaluation [CAB Min (16) 9/5 refers];
- 52 **note** that in response to Cabinet's direction, officials have been developing specific service elements for people in the Work Ready Support, Work Development Support and Community Support service streams;
- 53 **note** that:
 - 53.1 in September 2006 Work and Income will introduce a Job Search Service for people in the Work Ready Support service stream (and others who opt in) in 13 service centres, which will be rolled out nationally by the end of April 2007;
 - 53.2 the new Job Search Service will include a condensed version of the current three-week Work Track programme which, to be consistent with the WRK4U service, will be renamed In2WRK and will provide intensive job search assistance over a week, with the shortened time frame enabling more people to receive this assistance;
 - 53.3 the Job Search Service is expected to increase the number of people moving into employment within the first 13 weeks of contacting Work and Income, contribute towards the achievement of Work and Income's overall sustainable employment outcomes, and allow the transfer of case management resource to working with less work-ready beneficiaries;

- 54 **direct** officials from the Ministry of Social Development (lead), Treasury, Department of Labour and other departments as appropriate to report in November 2006 with an indication of how the proposed enhancements to the New Service Approach are expected to impact on client outcomes, and timeframes for implementation and evaluation;

58

Providing Wider Access to Employment and Training Assistance

Transition to Work Grant

- 59 **agree** that the Transition to Work Grant replace the Work Start Grant, the Pathways Payment and the Pathways Debt Recovery Suspension;
- 60 **agree** that the Transition to Work Grant provide flexible financial assistance to meet the additional costs of entering into employment for the following groups:
- 60.1 people on benefits or on stand-downs for benefits;
 - 60.2 students;

- 60.3 people on low incomes who face small gaps between jobs (up to four weeks) or who are re-entering the workforce;
- 61 **agree** that the Transition to Work Grant provision be:
- 61.1 capped at \$1,500 per person over a 52-week period, made up of the following core components:
- 61.1.1 jobseeking assistance up to a maximum of \$300 per year to assist with the essential costs involved with seeking work and attending job interviews;
- 61.1.2 job placement assistance to help with the essential costs of moving into work (for example clothing required for work);
- 61.1.3 bridging finance, up to a maximum of \$250 per week for two weeks, for people on benefits, students who are moving into full-time work, low-income earners who face small gaps between jobs (less than four weeks), and those on low incomes who are returning to the workforce, with a confirmed start-date being required for receipt;
- 61.1.4 optional suspension of all benefit or student allowance debt recovery for a period of three months for those entering full-time permanent employment;
- 61.2 subject to a cash asset and income test;
- 61.3 available only to those over the age of 18 unless exceptional circumstances exist;
- 62 **agree** that to be eligible for bridging finance and the optional debt recovery suspension, a person must be moving into full-time permanent employment, meaning that a person in receipt of income support must be cancelling their benefit and that these will not be available to students during term breaks and holiday periods;
- 63 **agree** that a person will be expected to be applying for employment of 30 hours or more per week to receive job search or job placement costs, but in some situations it will be appropriate to cover these costs for people entering work of less than 30 hours per week, for example where:
- 63.1 there is no full-time work available;
- 63.2 a person is working with Work and Income to progress towards full-time employment;
- 63.3 a person is unable to work full-time but is able to work limited hours, for example a person with a disability who may be entering an eight hour per week job and needs clothing for work;
- 64 **invite** the Minister for Social Development and Employment to establish a new Transition to Work Ministerial Welfare Programme to give effect to the decisions in recommendations 59 to 63 (including revocation of the Work Start Grant Programme, Pathways Payment Programme and Ministerial Direction);
- 65 **agree** that the Direction on Pathways Debt Recovery Suspension be revoked and a similar provision for all those accessing the Transition to Work Grant, and who have benefit or student allowance debt, be made;

Enhancing expectations

Pre-benefit requirements for Unemployment Benefit

- 66 **agree** that the Ministry of Social Development will be able to require a person, as part of the application process for Unemployment Benefit, to undertake a work-related activity or activities (for example a WRK4U seminar) if directed by the Chief Executive;

Enhanced expectations for work-tested clients

- 69 **agree** that a person who is work-tested continues to be required to be available for, actively seek, and take up offers of, suitable employment, and may be required to:
- 69.1 attend interviews with Work and Income as required;
 - 69.2 attend and participate in job interviews;
 - 69.3 as part of their Job Seeker Agreement, undertake planning, develop a formal plan if required and undertake activities included in the plan by agreement;
 - 69.4 undertake a specific activity or programme included in the Job Seeker Agreement at the direction of the Chief Executive to enhance their prospects of obtaining employment
 - 69.5 undertake activities including rehabilitation, but not medical treatment, to improve their work-readiness and prospects of obtaining employment (where the person does not have a Job Seeker Agreement);
- 70 **agree** that some aspects of expectations set out in recommendation 69 above may apply over the full week rather than the current five-day working week, with the details of this change to be considered further when finalising minor technical issues for the Amendment Bill;
- 71 **agree** to the following changes to expectations within the current benefit structure:
- 71.1 work-test exemptions based on age alone will be removed as follows:

71.1.1 Unemployment Benefit clients (currently available for people from aged 60 years);

71.1.2 partners of beneficiaries (currently available from age 55 years and over);

71.2 partners of beneficiaries will be part-time work-tested (15 hours per week) if they have a youngest child aged six years or over (currently those with a youngest child over the age of 14 years have a full-time work test);

Enhanced expectations for non-work tested clients

72 **agree** that a person who is not work-tested (unless exempt) will be required to:

72.1 engage with Work and Income on an 'as required' basis;

72.2 undertake planning, and develop a formal plan if required;

72.3 review the plan as required;

72.4 show commitment to the plan as a whole;

72.5 undertake a work-related activity or programme which had already been agreed in the plan if required;

72.6 undertake activities if required including rehabilitation (but not including work, unwaged work experience or medical treatment) to improve his or her work-readiness and prospects for employment;

73 **agree** to the following changes to expectations within the current benefit structure:

73.1 Sickness Benefit, Invalid's Benefit, Domestic Purposes Benefit (excluding Domestic Purposes Benefit: Care of Sick or Infirm) and Widow's Benefit clients will have planning and activity requirements set out in recommendation 72 above;

73.2 some Invalid's Benefit clients would qualify for an exemption from all work-related obligations, with the criteria for exemption for Invalid's Benefit to be set out in administrative guidelines;

74 **note** that further details of the proposals set out in recommendations 69 to 73 will need to be decided by Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment referred to in recommendation 0);

75 **direct** the Ministry of Social Development to report back to the Minister for Social Development and Employment, the Minister of Women's Affairs and the Minister of Revenue in December 2006 on proposals relating to parents with shared and split care arrangements, taking into account parallel work underway within the Department of Inland Revenue;

Sanctions

76 **agree** that Sickness Benefit and Invalid's Benefit clients and partners of beneficiaries with a youngest child under the age of six years will have the current Personal Development and Employment Planning sanctions regime with graduated sanctions and lesser penalties (a 20% reduction of benefit until compliance with a further 30% after four weeks of non-compliance ie. a maximum reduction of 50% for an individual);

77 **agree** that where there are dependent children and each partner in a couple is being sanctioned, a maximum penalty of 50% of the couple's total benefit would apply to avoid undue hardship for all families (currently this provision is available to sole parents only);

Aligning eligibility criteria

Residence

78 **agree** that the residence eligibility criteria for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit, require a recipient to:

78.1 be a New Zealand citizen or permanent resident; and

78.2 be ordinarily resident in New Zealand; and

78.3 have resided continuously in New Zealand for at least two years at any one time since becoming a citizen or permanent resident; but

79 **agree** that refugees granted permanent residence do not need to meet the requirement in recommendation 78.3 above;

80 **note** that permanent residents are people who hold or are deemed to hold a residence permit under the Immigration Act 1987 and also include people (such as Australian citizens resident in New Zealand) who are exempt from holding a residence permit under that Act;

81 **agree** that ordinarily resident is clarified in operational guidelines;

Definition of "qualifying child"

82 **agree** that the "qualifying child" criteria for Domestic Purposes Benefit and Widow's Benefit be removed so that eligibility for benefit, in relation to the care of a child, is determined by the child meeting the definition of "dependent child" under the Social Security Act 1964;

83 **agree** that the Chief Executive would have the discretion to include people caring for a dependent child not their own subject to the additional criteria that the child's parents are unable, or in exceptional circumstances unwilling, to support the child for Domestic Purposes Benefit or Widow's Benefit;

84 **note** that the provision to consider the applicant as the mother or father of the child in certain circumstances will be retained for Domestic Purpose Benefit: Sole Parent and Widow's Benefit;

Domestic Purposes Benefit: Care of Sick or Infirm

85 **agree** that the eligibility requirement for carers receiving Domestic Purposes Benefit: Care of Sick or Infirm be updated so that those who would otherwise require full-time care by hospitals, community residential services or rest homes, or equivalent levels of care in the community meet the criteria for being a care recipient;

- 86 **direct** the Ministry of Social Development, in consultation with other agencies, to develop a new assessment process for people requiring full-time care in consultation with health and disability stakeholders and other agencies for introduction from 2008;
- 87 **note** that in the interim, existing general practitioner-based processes will be adjusted to reflect the new definition;

Aligning weekly assessment and payment provisions

Stan-down period

- 88 **agree** that the maximum income stand-down period be reduced to two weeks for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit;
- 89 **agree** that the exemption from the stand-down for people applying for Domestic Purposes Benefit who have entered a refuge following a breakdown in their relationship be extended to Unemployment Benefit, Invalid's Benefit, Sickness Benefit and Independent Youth Benefit;
- 90 **agree** that the exemption from the stand-down for people who have been receiving payments under a government-assisted scheme analogous to benefit be removed because these people now receive benefit while participating in such schemes (for example Conservation Corps);

Weekly income assessment

- 91 **agree** that all new applications for benefit initially have weekly income assessments;
- 92 **direct** the Ministry of Social Development to develop rules for when people can elect to move from a weekly income assessment to an annual income assessment;

Application for benefit

- 93 **agree** that an application for a benefit needs to be written

94

;

Benefit payment period

- 95 **agree** that benefit payment periods be aligned to weekly by removing the 14- and five-day payment periods for Domestic Purposes Benefit, Invalid's Benefit and Widow's Benefit;
- 96 **agree** that Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit be paid according to a seven-day weekly pay period;

Other changes

- 97 **agree** that change-in-circumstances rules be changed for sole parents so that they can continue to receive a benefit for up to eight weeks in some situations (the current rules apply to Domestic Purposes Benefit and Widow's Benefit only);
- 98 **agree** that the definition of full-time employment be amended so that it is clear that an average of 30 hours or more per week is calculated over a four week period;
- 99 **agree** that provision is made for a regulation-making provision for dealing with technical issues around income determinations for self-employed persons and deprivation of income;

Young people aged 16 to 19: Policy changes

Domestic Purposes Benefit: Care of Sick or Infirm 16- and 17- year-olds

- 100 **agree** that the eligibility criteria for 16- and 17- year-olds applying for Domestic Purposes Benefit: Care of Sick or Infirm be tightened so that it is only available to 16 or 17 year-olds who are caring for a sick or disabled adult where there is no other available carer and all the family circumstances and alternative care arrangements have been considered;

Independent Youth Benefit

- 101 **agree** that 16- and 17- year-old young people discharged from custody under the Children, Young Persons and their Families Act 1989, can access the Independent Youth Benefit without the need to establish that there has been a breakdown in the relationship with their foster caregiver;

- 103 **agree** that the existing work test for recipients of Independent Youth Benefit be replaced by the following expectations:

103.1 they should be participating in agreed activities of between 30 and 40 hours per week; or

103.2 they should be available for and seeking full-time employment;

- 104 **agree** that the expectations for recipients of the Independent Youth Benefit who are unable to engage in full-time activities, for example those who are sick, injured or disabled, or pregnant, would be to participate in at least one education, training or developmental activity for a minimum of three hours per week;
- 105 **agree** that there be provisions to waive or delay expectations for recipients of Independent Youth Benefit in circumstances where the young person is unable to reasonably meet their expectations;
- 106 **agree** that “approved activities” include:
- 106.1 education and training (including mainstream secondary school, alternative education programmes, correspondence school, and other available training programmes listed in the Ministry of Social Development’s operational guidelines);
 - 106.2 employment (including seeking and taking up suitable employment, attending interviews, and undertaking work-focused activities);
 - 106.3 developmental activities (including participating in social rehabilitation programmes, basic skills training and other suitable programmes listed in the Ministry of Social Development’s operational guidelines);
 - 106.4 combinations of education, training, developmental activities or employment;
- 107 **agree** that, if a recipient of the Independent Youth Benefit does not meet their expectations, they have the same sanction regime as work-tested beneficiaries (ie. suspension of the benefit for a first and a second failure of the work-test and cancelled for 13 weeks if there is a third failure - but with opportunities for recompliance);

Transitional protection

- 108 **agree** that no person be financially disadvantaged overall at the point of change as a result of the introduction of the Working New Zealand: Work-Focused Support reforms, in order to protect the entitlements of existing beneficiaries and to ease transition into the new system;
- 109 **agree** that generally people should not be protected from complying with their obligations, as no-one need be disadvantaged if they comply with reasonable and appropriate requirements;
- 110 **agree** that lump-sum non-recoverable Special Needs Grants are used to reimburse any shortfall caused as a result of the move from a 14- to a seven-day payment period;
- 111 **agree** that the Special Needs Grant Welfare Programme be amended to provide additional reimbursement to people disadvantaged as a result of the requirement to transfer from a 14- to a seven-day payment period;
- 112 **agree** that Domestic Purposes Benefit and Widow’s Benefit continue to be paid to people who are receiving these benefits at the point of change but who would not qualify in the future, as they have not been resident in New Zealand continuously for two years or more;
- 113 **agree** that people are protected, at the point of change, if they are caring for a child not their own but do not meet the additional requirements that the child’s parents are unable or, in exceptional circumstances, unwilling, to support the child;

114 **agree** that the Domestic Purposes Benefit: Care of Sick or Infirm continue to be paid to 16 and 17 year olds who are receiving the benefit at the point of change but who would not qualify in the future because there are other available carers or alternative care arrangements;

Monitoring and Evaluation

115 **invite** the Minister for Social Development and Employment to report back to the Cabinet Policy Committee in November 2006 on the monitoring and evaluation of the Working New Zealand: Work Focused Support package including measurable outcomes related to the objectives of the package;

116 **note** that the monitoring and evaluation work programme will be designed around the measurable outcomes established in recommendation 115, in order to assess both the process of implementing the Working New Zealand: Work-Focused Support package and the outcomes the package achieves;

117 **agree** that the Ministry of Social Development provides biannual evaluation briefings to Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment) from 2007, with benefit numbers and expenditure reporting continuing as usual;

120 **agree** that the Bill to rewrite the Social Security Act 1964 agreed by Cabinet previously [CAB Min (05) 28/3 refers] be deferred so that it can include final policy decisions on the structure of the Core Benefit;

122 **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office for a Social Security Amendment Bill,
, to amend the Social Security Act 1964 to give effect to

the decisions in recommendations 22 and 66 to 114 and recommendations 0 to 0 that require legislative change;

125 **invite** the Minister for Social Development and Employment to report back to the Cabinet Legislation Committee in November 2006 seeking approval for the introduction of a Social Security Amendment Bill;

Phase Two: Structure and Additional Financial Support

126 **note** that the Minister for Social Development and Employment will report back to the Cabinet Policy Committee in late 2008 with options and costings on Phase Two - Structure and Additional Financial Support;

127 **direct** the Ministry of Social Development to continue to develop policy on Phase Two - Structure and Additional Financial Support to build on the changes made in the Working for Families package, the New Service Approach and Phase One - Support and Services;

128 **note** that policy developed to date suggests that Phase Two - Structure and Additional Financial Support will include:

128.1 a core benefit rates structure that seeks to standardise rates

128.5 a transitional mechanism to protect existing people on benefit at the point of change;

129 **note** that the costs of Phase Two - Structure and Additional Financial Support, or a contingency amount, will be considered in Budget 2008.

Hon David Benson-Pope
Minister for Social Development and Employment

Appendix

145 The following figure shows the expectations for each benefit type and shows the number of people receiving these benefits.

Figure 1: Current System – Expectations *(beneficiaries at the end of June 2006 are shown in italics)*

Work-Tested	Planning & Activity	No Obligations
<p>UB Clients ⁽¹⁾ <i>45,637</i></p>		<p>SB – IB Clients <i>124,605</i></p>
<p>UB - SB - IB - EB Partners⁽²⁾</p> <ul style="list-style-type: none"> Without children or youngest child 14-18 (full-time) <i>19,159</i> Youngest child 6-13 (part-time) <i>4,305</i> 	<p>UB - SB - IB - EB Partners</p> <p>Youngest child under 6 <i>23,250</i></p>	
	<p>DPB SP/WA - Widows <i>103,466</i></p>	<p>DPB-CSI <i>4,168</i></p>
<p>IYB ⁽³⁾ <i>1,676</i></p>		
<p>EB ⁽⁴⁾ <i>11,574</i></p>		

(1) Work exemptions available from age 60+

(2) Work exemptions available from age 55+

(3) Some exemptions apply

(4) Expectations may be attached depending on analogous benefit and circumstances

Note: UB includes UB Hardship and UB Student Hardship. SB includes SB Hardship. EB includes EMA.

Regulatory Impact and Compliance Cost Statement

Statement of the nature and magnitude of the problem and the need for government action

The reform of our social support system is necessary for the following reasons:

- the social and economic wellbeing of New Zealand – we have one of the lowest unemployment rates in the OECD but one in eight households has no-one in work
- a number of individuals and their families do not currently have the same opportunities to participate in the labour market and society as others, and their living standards are compromised by long-term benefit dependency.

Statement of the public policy objectives

The proposals contained in Phase One - Support and Services are part of a broader package of reforms to introduce a comprehensive work-focused social support system for working-age people.

The objectives of the Working New Zealand: Work-Focused Support package of reforms are to:

- increase opportunities for people to participate in the labour market, where work is an appropriate outcome
- continue to provide social and financial support for people with temporary or long-term barriers to work.

Phase One - Support and Services will contribute to these objectives by getting the right services and support in place to help people participate or prepare for a return to the labour market. Phase Two - Structure and Additional Financial Support will introduce a Core Benefit which will continue to provide social and financial support to people with temporary or long-term barriers to work. The Core Benefit will recognise people's individual circumstances

Statement of feasible options (regulatory and/or non-regulatory) that may constitute viable means for achieving the desired objectives

Phase One - Support and Services will include the following components:

Providing the right services, right from the start

I propose to:

- progressively roll out from September 2006 a Job Search Service for people in the Work Ready Support service stream (and others who volunteer), comprising intensive job search activity and support, regular contact with Work and Income, and access to more intensive assistance where required
- further develop appropriate packages of case management and targeted services for people in the Work Development Support and Community Support service streams, with a view to a progressive rollout throughout 2007
- develop a new assessment framework for people with ill health and people with disability, which will collect better information about what people are capable of doing

and the barriers they face, particularly health- or disability-related barriers, in achieving their goals and potential

- provide additional guidance to doctors on how to interpret eligibility for Sickness Benefit and Invalid's Benefit.

Providing wider access to employment and training assistance

Training Incentive Allowance

I propose to retain the Training Incentive Allowance but modify the programme to focus more tightly on identified quality and relevance standards [CAB Min (06) 10/3 refers]. With the exception of this change the Allowance will continue to be available under current rules and maxima to meet the financial costs associated with participating in training and work-related skills development programmes.

Course Participation Assistance Grant

I propose to introduce a Course Participation Assistance Grant to replace the Occupational Training Course Special Needs Grant. The Grant will assist people on benefit or a stand-down for benefit with the costs incurred through participation in short-term employment and training assistance programmes.

The Course Participation Assistance Grant will provide a contribution towards transport and care costs (including childcare, care for people with disabilities, and care for older people) for those who participate in employment and training programmes. Up to \$1,000 will be available over a 52-week period. This will include up to \$200 for occupational training course fees currently covered in the Occupational Training Course Special Needs Grant.

Wage Subsidies

I propose that the current wage subsidies and skills training programmes be consolidated into two subsidies:

- a Skills Investment Subsidy that invests in the jobseeker and contributes to a person's wages for up to 52 weeks, with the maximum limit set at Ministerial level (currently \$16,900 per annum). The Skills Investment Subsidy will replace the current placement wage subsidies and the Job Plus Training programme. This subsidy will continue for up to 52 weeks (within the annual maximum limit)
- a Time-limited Project Subsidy that focuses on those who are furthest from achieving sustainable employment and enables participation in project-based work of less than six months duration, for example Taskforce Green, that will help people develop work habits and skills and progress towards sustainable employment

Transition to Work

I propose that the Work Start Grant, the Pathways Payment programme and the Pathways Debt Recovery Suspension be merged into a single programme, called the Transition to Work Grant that will provide flexible financial assistance to meet the additional costs of entering into employment. Up to \$1,500 per year will be available per person, including up to \$300 for job search costs, up to \$500 in bridging finance, and job placement costs as required.

Work Experience and Activity in the Community

I propose that:

- the Work Experience¹⁰ programme be modified to enhance access, increase its effectiveness, and further mitigate the risks associated with it
- Activity in the Community be discontinued as an employment intervention and not be available to people who are expected to return to work immediately or in the short term. The programme will continue to be available to people who are likely to take longer to return to work, or who are unlikely to return to work at all, in order to contribute to their social development outcomes.

Guidelines Framework

I propose that:

- Cabinet guidelines comprise one set of high-level guidelines outlining key objectives for all employment and training assistance, including:
 - the key expected outcome
 - key principles to guide programme development and delivery.
- Ministerial guidelines build on the Cabinet guidelines and may include restrictions on eligibility, funding and type of assistance that can be provided
- operational guidelines provide detail needed to ensure that assistance is provided appropriately.

Enhancing Expectations

I propose to enhance expectations for benefit recipients within the existing benefit structure as follows:

- applicants for Unemployment Benefit will be full-time work-tested, as at present, but must meet some additional activity requirements including:
 - attend interviews with Work and Income as required
 - attend and participate in job interviews
 - as part of their Job Seeker Agreement, undertake planning, develop a formal plan if required and undertake activities included in the plan by agreement
 - undertake a specific activity or programme included in the Job Seeker Agreement at the direction of the Chief Executive of the Ministry of Social Development in order to enhance their prospects of obtaining employment
 - undertake activities including rehabilitation, but not medical treatment, to improve their work-readiness and prospects of obtaining employment (where the person does not have a Job Seeker Agreement)
- age related work-test exemptions will be removed (these are currently available for Unemployment Benefit clients aged 60 years and over and all partners of beneficiaries from age 55 years and over)

¹⁰ This programme covers unpaid work experience.

- partners of beneficiaries will be part-time work-tested (15 hours per week) if they have a youngest child aged six years or over (currently those with a youngest child over the age of 14 years have a full-time work test)
- Sickness Benefit and Invalid's Benefit clients (unless exempt) will have planning and activity requirements, which may include:
 - engaging with Work and Income as required
 - undertaking planning and developing a formal plan if required
 - undertaking a work-related activity (if agreed in the plan)
 - reviewing plan as required
 - showing commitment to the plan
 - undertaking specific activities such as rehabilitation (these activities will not include work, work experience or medical treatment).
- some Invalid's Benefit clients (for example those who are terminally ill or who have very severe physical or intellectual disabilities) will be exempt from all work-related obligations
- Domestic Purposes Benefit and Widow's Benefit clients (except Care of Sick or Infirm clients) will have the enhanced planning and activity requirements set out above.

Sanctions

I propose to apply the following sanctions regime to benefit recipients within the existing benefit structure:

- Sickness and Invalid's Benefit clients and partners with a youngest child under six years will have the current Personal Development and Employment Plan sanctions regime with graduated sanctions and lesser penalties (a 20% reduction of benefit until compliance with a further 30% after four weeks of non-compliance)
- where there are dependent children and each partner in couple is sanctioned, a maximum penalty of 50% of the couples total benefit would apply to avoid undue hardship for all families (currently this provision is available to sole parents only).

Pre-benefit activity

I propose to introduce a pre-benefit requirement that as part of the application process for Unemployment Benefit, a person must undertake a work-related activity or activities (for example a WRK4U seminar) if directed by the Chief Executive. This proposal will strengthen the Job Search Service discussed in paragraphs 43 to 60 of this paper.

Finalising minor technical policy issues

The detail of these proposals will be decided by Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment), with delegated authority for finalising minor technical policy issues, which may arise in the drafting the proposed amendment Bill.

Aligning eligibility criteria

Residence and qualifying child criteria

I propose to align the residence eligibility criteria for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit so that a person must:

- be a New Zealand citizen or permanent resident; and
- be ordinarily resident in New Zealand; and
- have resided continuously in New Zealand for at least two years at any one time since becoming a citizen or permanent resident.

Refugees with permanent residence will be exempt from the two-year residence requirement.

I propose that "ordinarily resident" be clarified in operational guidelines.

I propose to remove the qualifying child criteria for Domestic Purposes Benefit and Widow's Benefit so that eligibility in relation to the care of a child is determined by the child meeting the definition of "dependent child" under the Social Security Act 1964.

I propose to broaden the eligibility criteria for Domestic Purposes Benefit and Widow's Benefit so that people who are caring for a dependent child not their own can qualify for those benefits at the discretion of the Chief Executive and subject to the additional requirement that the child's parents are unable, or in exceptional circumstances unwilling, to support the child.

Full-time carers of people with ill health and people with disabilities

I propose to:

- update the eligibility requirement for carers receiving Domestic Purposes Benefit: Care of Sick or Infirm so that those who would otherwise require full-time care by hospitals, community residential services or rest homes, or equivalent levels of care in the community meet the criteria for being a care recipient
- develop, in consultation with health and disability stakeholders and other agencies, new assessment processes for people requiring full-time care. This assessment process will be piloted in one or two regions from 2008. In the interim existing general practitioner-based processes will be adjusted to reflect the new definition.

Aligning weekly assessment, payment periods and application process

I propose that:

- the maximum income stand-down period be reduced to two weeks for Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit
- the exemption from the stand-down for people applying for Domestic Purposes Benefit who have entered a refuge following a breakdown in their relationship be extended to Unemployment Benefit, Invalid's Benefit, Sickness Benefit and Independent Youth Benefit in the same circumstances
- the exemption from the stand-down for people who become entitled to benefit after receiving payments under a government-assisted scheme analogous to the benefit be removed
- all new applications for benefits initially have weekly income assessments, with rules to allow people to move to annual assessment to be decided by Joint Ministers (including the Minister of Finance, the Lead Minister for Families – Young and Old theme, the Minister of Health, the Minister for Disability Issues and the Minister for Social Development and Employment)
- an application for a benefit be defined as a written application

- benefit payment periods be aligned to weekly by removing the 14 and five-day payment periods for some benefit types
- Unemployment Benefit, Domestic Purposes Benefit: Sole Parent, Domestic Purposes Benefit: Care of Sick or Infirm, Domestic Purposes Benefit: Women Alone, Invalid's Benefit, Sickness Benefit, Widow's Benefit and Independent Youth Benefit be paid according to a seven-day weekly pay period
- change-in-circumstances rules for sole parents be aligned so that they can continue to receive a benefit for up to eight weeks in some situations (the current rules apply to Domestic Purposes Benefit and Widow's Benefit only)
- the definition of full-time employment be amended to make it clear that an average of 30 hours or more per week is calculated over a consecutive four-week period
- regulation-making provisions be introduced for dealing with technical issues around income determinations for self-employed persons and deprivation of income.

Transitional protection

I propose to:

- continue to pay Domestic Purposes Benefit and Widow's Benefit to people who at the point of change are receiving these benefits but would not qualify in the future, as they have not been resident in New Zealand continuously for two years or more
- protect people who at the point of change are receiving Domestic Purposes Benefit and Widow's Benefit and are caring for a child not their own but who do not meet the additional requirement that the child's parents are unable, or in exceptional circumstances unwilling, to support the child
- use lump-sum payments of non-recoverable Special Needs Grants to reimburse any shortfall caused by the change from a 14- to a seven-day payment period
- at the point of change continue to pay the Domestic Purposes Benefit: Care of Sick or Infirm to 16- and 17-year-olds who are receiving the benefit but who would not qualify in the future because there are other available carers or alternative care arrangements.

Improving support and services for young people aged 16 to 19

Improving the support and services for young people receiving a benefit will contribute to the Government's and the Mayor's Taskforce for Jobs shared goal that by 2007 all 15 to 19 year olds will be engaged in appropriate education, training, work or other options which will lead to long-term economic independence and wellbeing.

Independent Youth Benefit initiatives

I propose to introduce initiatives such as:

- intensive one-to-one case management (including, where appropriate, joint case management between Work and Income, Child, Youth and Family, Youth Transition Services, and other providers of Youth Services)
- expanding the services to include treatment of substance abuse problems

- increasing use of existing services such as Youth Transition Services where they exist
- commencing a review of the assessment process for determining whether a family breakdown exists
- replacing the existing work-test with new activity expectations (including seeking full-time work and participating in agreed activities of between 30 and 40 hours per week) for Independent Youth Benefit recipients
- making technical amendments to legislation for young people being discharged from custody under the Children, Young Persons and their Families Act 1989 and to existing stand-down provisions.

Unemployment Benefit

Work and Income will also introduce an enhanced service for 18-and-19 year old Unemployment Benefit recipients, including:

- intensive one-to-one case management
- key intervention points at three and six month intervals
- attendance at Job Search Services and Seminars
- introducing a coaching model (including quality mentoring, job search advice and support and post-placement support for up to six months)
- use of contracted services, including career advice where needed
- a School Leaver Strategy in conjunction with the Ministry of Education.

Other initiatives

I also propose to:

- tighten eligibility for 16 and 17 year-old carers applying for Domestic Purposes Benefit: Care of Sick or Infirm, so that it is only available where there is no other carer, after consideration has been given to alternative arrangements and with regard to family circumstances
- apply the enhanced planning and activity requirements for people in receipt of non-work-tested benefits to 16 to 19 year-olds receiving those benefits.

Improving Employment Outcomes for Māori jobseekers

From December 2006 I propose to introduce initiatives to improve sustainable employment outcomes for Māori on Unemployment Benefit, including:

- developing a Trade Training programme in co-operation with Te Puni Kokiri, Housing New Zealand Corporation and other government agencies to create sustainable employment schemes that will contribute to the growth of on-going jobs in these local communities and will develop the skill levels of people in those communities, particularly in provincial or rural locations
- development by the Ministry of Social Development, the Department of Building and Housing and the Housing New Zealand Corporation of stronger links with the Rural Housing Programme so that local unemployed Māori can develop skill sets that will be of long-term benefit to their local communities and enabling the Housing New Zealand Corporation to improve and develop its housing stocks and rural living conditions

- developing employment opportunities with District Health Boards to provide entry points for Māori in the care and social services sector
- the Ministry of Social Development working actively with local and regional councils to create employment schemes that will be of benefit to local communities and will develop the skills of clients in those communities, particularly in provincial or rural communities
- development by the Ministry of Social Development of enhanced relocation assistance to enable individuals to maximise employment opportunities
- continuing and further developing initial work between Ministry of Social Development Regional Commissioners and Regional Directors of Te Puni Kokiri on a joint work programme that includes reducing unemployment numbers to provide more sustainable employment outcomes for Māori.

assessment of need should take account of any other government financial support that the person is eligible for or receives. Statement of the net benefit of the proposal, including the total regulatory costs (administrative, compliance and economic costs) and benefits (including non-quantifiable benefits) of the proposal, and other feasible options

Costs

The Ministry of Social Development has estimated the cost of the Phase One - Support and Services package and the likely savings that could be achieved through the reduction of numbers on benefit. The costs and savings are based on a number of assumptions and forecasts about the growth of beneficiary numbers over time, inflation and economic pressures, and the extent of capacity of the social sector to deliver services. The profile of spending over time is also dependent on the decisions on the legislative timetable.

The estimated cost of Phase One - Support and Services across all years is set out in the table below.

Vote Social Development	\$m - increase/(decrease)				
	2006/07	2007/08	2008/09	2009/10	2010/11 & Outyears
Estimate of total operating	9.3	26.6	22.4	18.8	18.6

Note: Numbers may not add due to rounding

There will be additional costs associated with Phase Two - Structure and Additional Financial Support that will be considered in 2008/2009 as policy is developed.

Benefits

The Working New Zealand: Work-Focused Support package (Phase One and Phase Two) is expected to reduce numbers applying for benefit and shorten the duration of benefit receipt.

The combined impact of the changes proposed in the Working New Zealand: Work-Focused Support package is expected to reduce the number of people on benefit even further. It will take some time for the behavioural changes to reach full effect.

There may be other small reductions in benefit numbers from the changes in this package (such as the removal of the age exemption for work-testing) but they are not able to be quantified.

Statement of consultation undertaken

This paper has been distributed to the following agencies for comment: Department of the Prime Minister and Cabinet, Office for Disability Issues, Ministry of Health, Department of Labour, Treasury, Ministry of Women's Affairs, Te Puni Kokiri, and Accident Compensation Corporation, Inland Revenue Department, Ministry of Education, Department of Internal Affairs, State Services Commission, Ministry of Foreign Affairs and Trade, Families Commission, Tertiary Education Commission, Housing New Zealand Corporation, Department of Corrections, Ministry of Economic Development, Ministry of Pacific Island Affairs, Ministry of Justice, Statistics New Zealand. Where comments have been provided, these have been incorporated into this paper.

Business compliance cost statement

There are no compliance costs for businesses associated with this proposal.