

Chair
Cabinet Social Wellbeing Committee

WELFARE EXPERT ADVISORY GROUP TERMS OF REFERENCE

Proposal

- 1 This paper seeks agreement to the final Terms of Reference (the Terms) for the Welfare Expert Advisory Group (WEAG). The final Terms are attached.
- 2 On 28 March 2018, Cabinet Appointments and Honours Committee agreed, with power to act, to appoint Professor Cynthia (Cindy) Kiro as the Chair of the WEAG [APH-18-Min-0032].
- 3 I have also submitted a companion paper to the Appointments and Honours Cabinet Committee noting my intention to appoint the remaining WEAG membership and their fees.

Background

- 4 This Government has committed to overhauling the welfare system. The welfare system has incrementally evolved since its establishment in 1938. We have reached a critical juncture and it is time to evaluate whether our social welfare system remains fit for purpose in contemporary New Zealand.
- 5 On 26 March 2018, Cabinet agreed [CAB-18-MIN-0102 refers]:
 - that a WEAG be established to assist with consideration of the overhaul work programme, and report to Ministers by November 2018
 - to a two-phased approach to overhaul the welfare system
 - that for phase one of the welfare overhaul, the WEAG report to Ministers in November 2018 with final recommendations on:
 - recommendations to amend the legislative purpose and principles of the welfare system
 - priority areas for reform
 - which priority areas should be considered as part of phase one and phase two
 - recommendations, including costings on a priority change/s that could be progressed through Budget 2019
 - further work needed on priority areas for change in phase two.
 - agreed that phase two will begin with a review of the Terms, to reflect the outcomes of phase one and confirm deliverables for phase two
 - agreed that phase two of the welfare overhaul will:

- build on phase one priority areas and recommendations, focusing on detailed and considered advice and recommendation on how the proposed Social Security Act purpose and principles should be enacted system wide
 - develop further advice on priorities that were not able to be progressed in phase one
 - provide investment-ready advice in November 2019, to support decisions on Budget 2020.
- 6 At the time, a draft Terms was submitted to Cabinet and I was invited to report back with a final Terms following engagement with the WEAG Chair.

Comment

- 7 I have worked with Ministerial colleagues, Government parties, and the WEAG Chair, to finalise the Terms. As a result the final proposed Terms differ from those draft Terms submitted to Cabinet on 26 March 2018.
- 8 The Terms have been refined to focus the WEAG on key issues within the welfare system and identify the high-level changes and direction needed to support the Government's vision for a welfare system that ensures people:
- have an adequate income and standard of living
 - are treated with and can live in dignity
 - are able to participate meaningfully in their communities.
- 9 I expect the work of the WEAG should also consider and contribute to the Government's child poverty reduction priority and the targets set in accordance with the new Child Poverty Reduction Bill.

Final proposed scope of the WEAG programme of work

- 10 A two-phased approach to the WEAG is no longer proposed. Instead I propose that the WEAG deliver advice to Ministers by 28 February 2019 through a written report on:
- amendments to the legislative purpose and principles of the Social Security Act (the Act) that give effect to the vision and direction of the Government
 - how any amendments to the purpose and principles in the Act could be implemented system-wide
 - advice on other changes needed to ensure the system achieves the Government's vision for the welfare system
 - changes to obligations and associated sanctions to align with the vision of the Government
 - high level recommendations for improvements to Working for Families
 - recommendations for areas where the interface between the welfare system and other systems need to be improved either because they are not functioning well or in light of the WEAG's work on giving effect to the future vision for the welfare system – for instance, ACC, education and training, housing, health, and justice.

11 In considering the above areas of work, the WEAG should give due consideration to:

- the evolving nature of contemporary New Zealand – changes to family structures, social needs, the changing labour market and how these significant shifts might impact the future direction for the welfare system
- ensuring simplicity in the welfare system so that it is easy to understand, and people know about and are able to receive the assistance they are entitled to
- economic and technological changes
- ensuring good transitions to meaningful and sustainable employment, as well as recognising and valuing other positive outcomes (such as participation in the community and voluntary work)
- improving outcomes for groups of people disproportionately impacted by negative social outcomes such as Māori, Pacific Peoples, disabled people and people with health conditions
- how child wellbeing might be improved by the recommendations
- the fiscal sustainability of their recommendations.

Work and Income culture

12 The Ministry of Social Development (MSD) has work underway regarding the change of culture we desire within Work and Income.

13 The WEAG will engage with and provide insights and recommendations about the MSD culture change work underway to achieve meaningful and lasting change within Work and Income so that beneficiaries are treated with dignity and respect in all their interactions with the system.

MSD will work alongside the WEAG to develop proposals for Budget 2019

14 I expect MSD officials to undertake work on initiatives that could be progressed for Budget 2019. This work is likely to be more detailed and technical in nature and as such would be best placed with MSD officials to allow the WEAG to focus on the higher level and longer term direction for the welfare system, such as its purpose and principles. This will also enable the period the WEAG operates to be extended beyond November 2018.

15 I may also seek the WEAG's advice and views on specific proposals being prepared in the context of Budget 2019.

Out of scope

16 As per the previous draft Terms submitted to Cabinet the following areas remain out of scope:

- New Zealand Superannuation (NZS)
- Veteran's Pension and War Pensions
- Student Support System.

- 17 The WEAG will have some flexibility to consider some matters relating to those systems such as training and education.

I propose to extend the period the WEAG will operate until February 2019

- 18 It is acknowledged that the work of the WEAG will not be a simple task and it will take time.
- 19 The draft Terms submitted for consideration on 26 March 2018, proposed the WEAG would operate until and provide final advice and recommendations in November 2018.
- 20 Following consultation with my colleagues and the WEAG Chair, I now propose the WEAG should operate until 28 February 2019 and provide final recommendations no later than 28 February 2019.
- 21 The November 2018 timing was in part necessary to ensure Budget-ready proposals could be progressed for the Budget 2019 process. Removing the responsibility to deliver Budget 2019 proposals from the WEAG provides us with the opportunity to extend the timeframe for the WEAG to report back with their advice.
- 22 Decisions on any continuation of the WEAG beyond February 2019 will be made by Cabinet in March 2019 following consideration of the WEAG advice.
- 23 The Terms of Reference and agreements in this Cabinet paper supersede decisions made via the Cabinet minute on 26 March 2018 [CAB-18-MIN-0102 refers].

Next steps

- 24 Officials have been meeting with the WEAG Chair to start planning its work. I expect the first meeting will take place later in May 2018.

Consultation

- 25 Following Cabinet's consideration of the draft Terms on 26 March 2018, I have engaged further with my Ministerial colleagues, Government parties and the WEAG Chair to develop the final Terms.

Financial implications

- 26 I have sought \$1.5 million funding through Budget 2018 for the WEAG to operate until the end of 2018. Since seeking this funding there have been changes to the WEAG, including extending it until February 2019 and a proposed additional member.

- 27 9(2)(f)(iv)

Human rights implications

- 28 The proposal is consistent with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990.

Legislative implications

- 29 There are no legislative implications arising directly from these proposals. If, following the provision of the WEAG's final report, the Government brings forward proposals for legislative change, this will go through the necessary Cabinet processes.

Regulatory impact and compliance cost statement

- 30 A Regulatory Impact Analysis (RIA) is not required as this Cabinet paper does not include a government regulatory proposal. A RIA will be completed as part of the consideration of any agreed WEAG proposals.

Gender implications

- 31 Women are disproportionately represented in some areas of the welfare system, for example, Sole Parent Support benefit receipt. Pathways to education and sustainable work are difficult for mothers, particularly but not exclusively sole parents. The WEAG should ensure gender issues are considered as part of any recommendations.

Disability perspective

- 32 Disabled people and people with health conditions make-up approximately 50 per cent of all people in receipt of a benefit. Any recommended changes to the welfare system will seek input from the representatives from the disability sector.

Child poverty impact

- 33 The WEAG should also give due consideration to interactions between their recommendations and the Child Wellbeing Strategy. Changes to the welfare system are expected to contribute to the Government's child poverty priority and the targets set in accordance with the new Child Poverty Reduction Bill.

Publicity

- 34 Following Cabinet agreement, I will make further announcements on the Terms for the WEAG, as well as on the Chair and full membership of the WEAG.
- 35 I intend to publically release this Cabinet paper at the appropriate time.

Recommendations

- 36 It is recommended that the Committee:
- 1 **note** that on 26 March 2018, Cabinet agreed to establish an external Welfare Expert Advisory Group to advise the Government on the overhaul of the welfare system
 - 2 **note** that on 26 March 2018, Cabinet invited the Minister for Social Development to report back on the final Terms of Reference for the external Welfare Expert Advisory Group
 - 3 **note** that on 26 March 2018, Cabinet agreed to a two-phased approach to overhaul the welfare system

- 4 **note** that on 26 March 2018, Cabinet agreed that for phase one the Welfare Expert Advisory Group would report back in November 2018 with final recommendations on:
 - 4.1 recommendations to amend the legislative purpose and principles of the welfare system
 - 4.2 priority areas for reform
 - 4.3 which priority areas should be considered as part of phase one and phase two
 - 4.4 recommendations, including costings on a priority change/s that could be progressed through Budget 2019
 - 4.5 further work needed on priority areas for change in phase two
- 5 **note** that on 26 March 2018, Cabinet agreed that phase two of the overhaul would:
 - 5.1 build on phase one priority areas and recommendations, focusing on detailed and considered advice and recommendation on how the proposed Social Security Act purpose and principles should be enacted system wide
 - 5.2 develop further advice on priorities that were not able to be progressed in phase one
 - 5.3 provide investment-ready advice in November 2019, to support decisions on Budget 2020
- 6 **agree** to rescind the 26 March 2018 Cabinet decisions relating to recommendations 3, 4, 5 and 6 of the Cabinet Social Wellbeing Committee minute [SWC-18-MIN-0016 refers] to reflect the changes following consultation on the Terms of Reference
- 7 **note** that the Welfare Expert Advisory Group will contribute to realising the Government's vision for the welfare system, which is to ensure people:
 - 7.1 have an adequate income and standard of living
 - 7.2 are treated with and can live in dignity
 - 7.3 are able to participate meaningfully in their communities
- 8 **agree** that the Welfare Expert Advisory Group will deliver final advice to the Government by 28 February 2019 by way of a written report on:
 - 8.1 amendments to the legislative purpose and principles of the Social Security Act that give effect to the vision and direction of the Government
 - 8.2 how any amendments to the purpose and principles in the Social Security Act could be implemented system-wide
 - 8.3 advice on other changes needed to ensure the system achieves the Government's vision for the Welfare System
 - 8.4 changes to obligations and associated sanctions to align with the vision of the Government
 - 8.5 high level recommendations for improvements to Working for Families

- 8.6 recommendations for areas where the interface between the welfare system and other systems need to be improved either because they are not functioning well or in light of the Group's work on giving effect to the future vision for the welfare system, for instance, ACC, education and training, housing, health and justice
- 9 **agree** that the Welfare Expert Advisory Group will operate until 28 February 2019
- 10 **agree** that decisions on any continuation of the Welfare Expert Advisory Group beyond February 2019 will be made by Cabinet in March 2019 following consideration of the WEAG advice
- 11 **agree** to the attached final Terms of Reference for the Welfare Expert Advisory Group

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development