

In Confidence

Office of the Minister for Social Development and Employment

Cabinet Social Outcomes Committee

Changes to welfare settings to support people into employment and off benefit: Traffic Light System

Proposal

- 1 This is the first of two papers about changes to welfare settings to support people off benefit and into work to contribute to the jobseeker reduction target and:
 - 1.1 provides an overview of the changes that are underway and planned to achieve our target of reducing the number of people on Jobseeker Support benefit
 - 1.2 seeks agreement to implement a Traffic Light System for benefit recipients.

Relation to government priorities

- 2 Having 200,000 New Zealanders on the Jobseeker Support benefit means too many people are dependent on the State for their primary source of income. The Government will encourage those who are able to work, to do so. The Government will uphold New Zealanders' rights and expect individuals receiving welfare to perform their responsibilities. Shifting jobseekers into work gives them financial independence, a sense of purpose, and further opportunities which contribute to the Coalition Government's commitment to help more New Zealanders get ahead.

Executive Summary

- 3 This Government believes the welfare system should provide jobseekers targeted assistance to overcome any challenges they face to obtaining a job.

I have chosen to implement operational changes in the first eight months in Government to reduce jobseeker numbers, however more structural changes to the obligations and sanctions settings are required to shape the incentives jobseekers face.

- 4 To ensure that we are acting swiftly, I have been progressing a phased approach to how we implement changes – including a Traffic Light System for benefit recipients and partners linked to their obligations and 26-week reapplications for Jobseeker Support – as set out below:

Traffic Light System (<i>this paper</i>)	26-week reapplications (<i>refer to Paper 2</i>)
Purpose: To communicate to clients that they must comply with their obligations or risk being sanctioned, and to expand the tools MSD have to respond to clients who are not meeting their obligations.	Purpose: To require jobseekers to engage with MSD more frequently by reapplying for benefit every 26-weeks.

<p>Phase 1 (from 12 August 2024):</p> <p>Clearly communicate to clients with work-related¹ and social obligations² what each colour in the Traffic Light System means and where they sit in the Traffic Light System (i.e. whether they are meeting their obligations). This will be based on their current compliance with obligations, with clients placed into either Green (if they are meeting their obligations), Orange (if in the five-working day dispute period) or Red (if they have a sanction). This will not require legislative change.</p>	<p>Phase 1 (from 24 June 2024):</p> <p>To support the transition to 26-week reapplications MSD rolled out 6 month work check-ins for people receiving the Jobseeker Support – Work Ready benefit on 24 June 2024.</p>
<p>Phase 2 (from 26 May 2025):</p> <p>Enactment of enabling legislation for the Traffic Light System including to introduce new non-financial sanctions for a targeted group of people with work-related or social obligations. This means clients in a target cohort may be subject to non-financial sanctions (Money Management or Community Work Experience) instead of a financial sanction the first time that they fail to comply with an obligation. Additional non-financial sanctions may be introduced in future.</p> <p>The period over which an obligation failure for work-related or social obligations is counted (ie there is a clean slate after this period) will be extended to 104 weeks from 12 months to strengthen the regime for those on benefit for more than a year.</p> <p>Application of Traffic Light colours to Youth clients.</p>	<p>Phase 2 (from 1 July 2025):</p> <p>New clients will be granted Jobseeker Support with a 26-week expiry.</p> <p>Clients already on Jobseeker Support on 1 July 2025 will transition to a 26-week expiry based on the proximity of their benefit commencement date, or last 52-week reapplication, to 1 July 2025.</p>

- 5 At present where a client fails to meet an obligation (i.e. something that they were required to do and having no good and sufficient reason for not doing it) the sanctions imposed are limited to financial sanctions. As part of these changes, we will introduce the ability for the Ministry of Social Development (MSD) to issue non-financial sanctions –Money Management and Community Work Experience – to some clients. This will provide more tools for MSD to shift people into work.
- 6 The costs associated with introducing the Traffic Light System will be funded within MSD’s baselines. The changes set out in Phase 2 will require amendments to the Social Security Act 2018 and associated regulations. I expect to introduce legislation by November 2024 s 9(2)(f)(iv)

Background

- 7 The number of people on the Jobseeker Support benefit increased by 70,000 during the term of the previous Government, and the use of sanctions significantly decreased. Shifting people off welfare and into work is the driver behind:

¹ Work-related obligations are: work preparation, or work-test obligations (including drug test obligations) for either full- or part-time work, work ability assessment obligations, obligation to attend an interview and obligations to work with contracted service providers.

² Social obligations for clients with dependent children include: Enrolling their child with a primary healthcare provider, staying up to date with WellChild/Tamariki Ora checks, enrolling their child at an Early Childhood Education provider and ensuring the child attends (if age-appropriate), enrolling their child at school and ensuring the child attends (if age-appropriate).

- 7.1 our Reducing Benefit Dependency and Welfare that Works policies
- 7.2 the welfare policies in the coalition agreements, including to:
 - 7.2.1 implement sanctions, including electronic money management, for beneficiaries who can work but refuse to take agreed steps to find a job.
 - 7.2.2 strengthen obligations on Jobseeker Support – Work Ready beneficiaries to find work and make use of sanctions for non-compliance with work obligations, and consider time limits for under 25s.
 - 7.2.3 develop an approved pool of doctors who can issue medical certificates to go onto a health and disability related benefit.
 - 7.2.4 seek to make it easier for New Zealanders, including prisoners, to get drivers licenses, and better support to existing programmes that are delivering positive outcomes.
- 8 Progressing these policies alongside other changes will help achieve our target of having 50,000 fewer people on the Jobseeker Support benefit – reducing from 190,000 people to 140,000 by December 2029.

My plan to achieve the Jobseeker Support reduction target

- 9 I have already taken steps to improve the welfare system and focus on getting people into work. I have made choices to further activate the breadth of resources that MSD has at its disposal, like employment support programmes and case managers, to start making headway on our target promptly given the legislative changes proposed in these papers will take time to have an impact.
- 10 In February 2024, the Prime Minister and I announced the first steps to reset the welfare system. This included our Government’s expectation that sanctions will be applied where beneficiaries fail to comply with their work-related obligations and the establishment of new work check-ins for jobseekers on benefit for six months. Further progress in my portfolio this year will support the target, including:
 - 10.1 MSD engaging more frequently with jobseekers, including a requirement for those with work-obligations to attend a work seminar inside the first two weeks on benefit.
 - 10.2 using case management to achieve the target, including putting an additional 4,000 jobseekers aged 18-24 into a new phone-based case management service
 - 10.3 placing an additional 2,100 jobseekers aged 18–24 into programmes led by community organisations (Year One of Welfare that Works)
 - 10.4 a new Employment Investment Strategy Framework to drive MSD’s employment expenditure towards achieving the target to have 50,000 fewer people on the Jobseeker benefit by December 2029

- 10.5 operational enhancements to help more jobseekers become work-ready
- 10.6 a regional campaign to promote the target.
- 11 All together, these new engagements equate to a substantially more proactive welfare system. Crucially, they enable greater opportunities to provide jobseekers with assistance and check they are taking sufficient steps to become work-ready and apply for jobs.

A Traffic Light System for benefit recipients

- 12 Benefit recipients must fulfil obligations as an ongoing condition of receiving their benefit. Where a client fails to fulfil an obligation, they receive a sanction (a type of consequence) and must undertake activities to recompile before having a sanction lifted (see examples in Appendix 1). The number of sanctions issued during the March 2024 quarter was 7,509 which was an increase of 1,263 or 20.2 percent from the March 2023 quarter.
- 13 I am proposing to introduce a Traffic Light System that will strengthen the sanctions regime (shown in Appendix 2) that applies to people with work-related and social obligations, as well as their partners. This will more clearly communicate to people on benefit their compliance with obligations:³

Green	Orange	Red
Client is complying with obligations.	Client has failed an obligation and has five working days to make contact with MSD (to either dispute this failure, or arrange to recompile with their failed obligation).	Client is under active sanction and has not yet recompiled.
	Clients move back to Green when they have recompiled with their failed obligation (Grades 1 and 2), observed a period of non-entitlement (Grade 3), or dispute an obligation failure and the original decision is overturned.	

- 14 The Traffic Light System has several components:
 - 14.1 **obligations** – the Traffic Light System will strengthen the current obligation settings (discussed in the paragraph below), including extending the period over which an obligation failure of work-related or social obligations is counted (or reset) from 12 months to 104 weeks
 - 14.2 **messaging and communications** – the Traffic Light System will more clearly communicate with clients about their compliance with obligations
 - 14.3 **additional activity setting** for those with work-related obligations – MSD will have additional tools to use with those who have failed an obligation, including to set additional activities (such as training or seminars as an

³ This does not consider other requirements on the client such as responsibilities for those receiving an Emergency Housing Grant.

individual or in a group) or check-in more frequently with MSD. This will not require legislative amendments

- 14.4 **financial sanctions** (outlined in Appendix 2) – I am not changing the nature of these sanctions or who they apply to
- 14.5 **non-financial sanctions** (discussed from paragraph 24) – the use of Money Management and Community Work Experience as non-financial sanctions for a first obligation failure instead of a financial sanction will be a new feature in the system.
- 15 All elements of the Traffic Light System will apply to clients and partners with obligations that are subject to a sanction⁴ including: work preparation, work-test obligations (including drug test obligations), work ability assessment obligations or obligations to work with contracted service providers, for either full- or part-time work, and clients with social obligations in respect of their dependent children.
- 16 Clients with youth activity obligations have their own distinct obligations and sanctions regime focused on education and training outcomes. To provide consistency for all people with obligations, the messaging and communications component of the Traffic Light System will also apply to clients with youth activity obligations from Phase 2. I am not proposing to extend other elements of the Traffic Light System to young people given that their regime already has elements of Money Management and Community Work Experience.

Implementation of the Traffic Light System is underway

- 17 Phase 1 of the Traffic Light System is beginning on 12 August 2024 under the current legislative settings and includes:
 - 17.1 system changes to support integrating the Traffic Light System with the existing obligation and sanctions regime
 - 17.2 internal communications and guidance for MSD staff on when to assign additional activities or more frequent check-ins with MSD, and encouraging people to complete Jobseeker Profiles
 - 17.3 communication to beneficiaries explaining the Traffic Light settings to ensure they are aware of what is expected of them and how to meet those expectations.
- 18 Phase 2 (the proposals set out in this paper) will be implemented from 26 May 2025 comprising:
 - 18.1 enactment of enabling legislation to ensure that the Traffic Light System can function and include:



⁴ These obligations are set out in Section 233 of the Social Security Act 2018.

- 18.1.1 non-financial sanctions, that is, Money Management and Community Work Experience for target cohorts whose circumstances make it appropriate to apply to them,
 - 18.1.2 changing the period over which an obligation failure of work-related or social obligations is counted (or reset) on a client's record from 12 months to 104 weeks
 - 18.1.3 requirement for clients to complete Jobseeker Profiles
- 18.2 enhancements to make the Traffic Lights more prominent across platforms, add the ability to track additional activities, and to include clients with youth activity obligations in the Traffic Light System (messaging and communications component only).

Changing the time period over which obligations failures are counted (and reset)

- 19 Under the current system, when a client fails an obligation, each failure counts against them for 12 months from the date of failure. I am proposing to strengthen this by extending this period to 104 weeks for work-related obligations and social obligations in respect of their dependent children. This change means that clients who repeatedly breach their obligations are more likely to move through to benefit cancellation if they remain on benefit longer than a year. This change would require legislative change to be delivered in Phase Two. This change will not apply to people with youth activity obligations.

Requirement for Jobseeker Profiles

- 20 I also want to introduce the requirement for all job seeking clients (those applying for Jobseeker Support, Sole Parent Support, and Emergency Benefit⁵) to have a Jobseeker Profile before they come onto benefit. Jobseeker Profiles record information including a person's work experience, job choices, qualifications, driver licence attainment, and location preferences. Requiring a Jobseeker Profile before will enable MSD to have more work conversations and connect people with the job vacancies MSD lists. This requirement will not apply to people completing 26-week or 52-week reapplications for Jobseeker Support and Sole Parent Support respectively, as they will already be having regular work-focused conversations.
- 21 Under current settings MSD may assign a Jobseeker Profile as a pre-benefit activity by discretion. s 9(2)(h) 
 This would enable this activity to be assigned to all jobseekers and mean people prepare for work sooner. I also propose that MSD can remove this requirement only where it is unreasonable for the individual to complete a Jobseeker Profile.

⁵ Where those are receiving Emergency Benefit, it is determined they will have work obligations as a condition of receiving their benefit.

Introducing non-financial sanctions

- 22 I want to expand the toolkit for shifting people from welfare to work when people fail their obligations. I will do this by introducing Money Management and Community Work Experience as alternatives to financial sanctions. The application of non-financial sanctions will be at the “Red” Traffic Light setting and only available for the first failure of an obligation (i.e. Grade 1 sanction as set out in Appendix 2).
- 23 There will be limits to how many people MSD can apply these to – given resourcing limitations. For this reason, I will target clients who either have dependent children or are in case management. There will also be discretion for MSD to determine that a non-financial sanction would not be appropriate.
- 24 The introduction of Money Management and Community Work Experience must be enabled through amendments to the Social Security Act 2018 and associated regulations, and can be delivered in Phase Two. There are some further design decisions that I will make to ensure coherence with the application of financial sanctions and I am seeking Cabinet’s authorisation to do this.

Money Management

- 25 Money Management involves a client losing control of a portion of their benefit, such as through a payment card that can only be used at certain providers for essential items.
- 26 Implementing Money Management as a non-financial sanction will deliver on our Coalition Agreement commitment to “Implement sanctions, including electronic money management, for beneficiaries who can work but refuse to take agreed steps to find a job”.
- 27 The settings for Money Management will include:
 - 27.1 the provision of electronic payment cards as the mechanism for delivering Money Management
 - 27.2 that 50 percent of a client’s main benefit will go onto the electronic payment card which can only be spent at certain providers on essential items
 - 27.3 that clients will remain on Money Management for four weeks
 - 27.4 for consistency with financial sanctions for first failure of an obligation:
 - 27.4.1 that Money Management will apply to a client’s main benefit (i.e. it will not include supplementary assistance, e.g. Accommodation Supplement),
 - 27.4.2 that clients would be required to complete a recompliance activity by the end of the four weeks in order to exit Money Management (and go back to Green) at the end of the four week period

- 27.4.3 that clients on Money Management will not be able to access Special Needs Grants or Emergency Housing Grants
 - 27.4.4 if a client has not recomplied after four weeks, they will be deemed non-compliant and have their benefit reduced (for clients with dependent children) or suspended.
- 28 Initially, Money Management will solely be administered by MSD. However, in the future there may be opportunities for MSD to work alongside third-party providers to deliver Money Management. I intend for legislative changes to allow this to happen in future.

Community Work Experience

- 29 Implementing Community Work Experience as a non-financial sanction will deliver on our commitments in the Reducing Benefit Dependency policy.
- 30 Community Work Experience as a non-financial sanction is intended to act as a deterrent against beneficiaries from failing to meet their obligations, as well as being an opportunity to support beneficiaries to build their skills, confidence, and community connections to encourage a pathway into work.
- 31 The settings for Community Work Experience will include:
- 31.1 that beneficiaries will find appropriate work experience with a community or voluntary sector organisation with the support of MSD
 - 31.2 that beneficiaries will need to complete work experience for a specified duration and number of hours per week
 - 31.3 that beneficiaries cannot access Special Needs Grants or Emergency Housing Grants while receiving Community Work Experience as a non-financial sanction.
- 32 I am yet to take some policy design decisions for Community Work Experience, including the total duration of the experience, the number of hours required per week, and the pathway for recompliance for people who do not complete their agreed Community Work Experience requirements. I will take these decisions before finalising the Bill.

Efficient administration of the proposals

- 33 Automated Decision-Making⁶ will support MSD to deliver efficient and modern services at scale. Allowing Automated Decision-Making to be used to streamline the processes to deliver the Traffic Light System will require changes to the Social Security Act 2018. MSD is still exploring where Automated Decision-Making would be suitable – for example whether it could be used to assign the requirement to complete a Jobseeker Profile, and I am seeking authorisation to take these decisions in

⁶ A decision within an automated process where there is no substantial human involvement in making the decision (including statutory decisions).

line with the efficient administration of the policy intent of the Traffic Light System. Any use of Automated Decision-Making would be consistent with MSD's Automated Decision-Making Standard. I expect to introduce a Bill in the next 12 months to support the broader use of automated decision-making in the welfare system.

Cost-of-living Implications

- 34 Supporting people off benefit and into work will increase incomes and provide people with more resources to cope with the costs-of-living.

Financial Implications

- 35 This paper does not seek new funding. Implementation of the Traffic Light System, which will be reprioritised from within baselines, will cost \$6.545 million associated with IT changes and communications.

Legislative Implications

- 36 Implementing these proposals requires changes to the Social Security Act 2018 and associated regulations. There may be consequential changes to other secondary legislation (such as welfare programmes) which will be identified through the drafting process.
- 37 In addition, the provisions in Section 363A of the Social Security Act 2018 will need to be broadened to support the use of automated decision-making for these proposals, as this currently only applies to charging information share child support payments as income.
- 38 If approved, I propose to introduce a Bill by November 2024, s 9(2)(f)(iv)

Impact Analysis

Regulatory Impact Statement

- 39 A Regulatory Impact Statement has been prepared for the proposals in this paper and in paper 2 "Changes to welfare settings to support people into employment and off benefit: 26-week reapplications for Jobseeker Support" and is attached.
- 40 The Regulatory Impact Statement was reviewed by a panel of representatives from the Ministry of Social Development. It received a 'partially meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. This assessment recognises that there were constraints on the range of options able to be considered by the authors and no specific public consultation on the proposals.

Climate Implications of Policy Assessment

- 41 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

- 42 Māori, Pacific Peoples and young people are disproportionately in receipt of welfare. By strengthening the welfare system's communications, and providing alternative non-financial sanctions and tools, the Traffic Light System will enhance understanding of obligations and better support the transition from welfare to work.

Human Rights

- 43 There are considerations surrounding fairness under the New Zealand Bill of Rights Act 1990 (NZBORA) for the targeting of non-financial sanctions based on whether people receive case management which MSD have scoped and consider justifiable. I expect my officials to follow standard processes and conduct a full assessment of NZBORA implications prior to introduction.

Use of external Resources

- 44 No external resources (contractors or consultants) were involved in the policy development of these proposals, or the preparation of this Cabinet paper.

Consultation

- 45 This paper was provided for agency consultation to the Department of Internal Affairs, Department of the Prime Minister and Cabinet, Health New Zealand – Te Whatu Ora, Inland Revenue, Ministry of Business, Innovation and Employment, Ministry of Education, Ministry for Ethnic Communities, Ministry of Health, Ministry of Housing and Urban Development, Ministry of Justice, Ministry for Primary Industries, Ministry for Pacific Peoples, Ministry for Women, Ministry of Youth Development, Oranga Tamariki, Social Investment Agency, Te Arawhiti, Te Puni Kōkiri, the Treasury, and Whaikaha – Ministry of Disabled People.

Communications

- 46 These decisions will be publicly announced after they have received approval from Cabinet.

Proactive Release

- 47 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, in accordance with the Cabinet Office Circular CO (18)4, with any appropriate redactions.

Recommendations

The Minister for Social Development and Employment recommends that the Committee:

- 1 **note** that in February 2024, the Minister for Social Development and Employment outlined to Cabinet the first actions being taken towards reducing benefit dependency [CAB-24-MIN-0041]

A Traffic Light System for benefit recipients

- 2 **agree** to introduce the following Traffic Light System for benefit recipients and their partners (supporting the existing graduated sanctions regime) to communicate that clients must comply with their obligations or risk being sanctioned, where:
 - 2.1 Green – client is complying with their obligations
 - 2.2 Orange – client has failed an obligation and has five working days to make contact with MSD (to either dispute this failure or arrange to recommit with their failed obligation)
 - 2.3 Red – client is under active sanction and not yet recommit
- 3 **agree** that the components of the Traffic Light System include:
 - 3.1 messaging and communications (about the colours outlined in recommendations 2.1 to 2.3)
 - 3.2 additional activity setting for clients with work-related obligations
 - 3.3 financial sanctions
 - 3.4 non-financial sanctions
- 4 **agree** that:
 - 4.1 the Traffic Light System will apply to clients and their partners with work-test obligations (full-time, part-time, and drug test obligations) and work-preparation obligations, work ability assessment obligations, obligation to attend an interview, obligations to work with contracted service providers, and clients with social obligations in respect of their dependent children
 - 4.2 clients with youth activity obligations will have additional messaging and communications as part of Phase 2 of the Traffic Light System, but their obligations and sanctions regime will not change

Changing the period over which obligations failures are counted

- 5 **agree** to extend the period over which a client's obligation failure for the cohort defined in recommendation 4.1 is counted from 12 months to 104 weeks

Requirement for Jobseeker Profiles

- 6 **agree** that Jobseeker Profiles be required as a pre-benefit activity of all people who are applying for Jobseeker Support, Sole Parent Support and Emergency Benefit (for Emergency Benefit applicants where it is determined they will have work obligations as a condition of receiving their benefit)
- 7 **agree** that recommendation 6 does not apply to people completing a 26-week or 52-week reapplication

- 8 **agree** the requirement to complete a Jobseeker Profile will be able to be waived (for the cohort in recommendation 6) if it is assessed as being unreasonable or inappropriate for the client, based on their circumstances
- 9 **note** that MSD can require current clients to complete or update their Jobseeker Profile as part of their work obligations

Introducing non-financial sanctions

- 10 **agree** that when a sanction is applied for a first failure of an obligation:
 - 10.1 MSD may impose a non-financial sanction instead of a financial sanction to clients in a targeted cohort only
 - 10.2 the targeted cohort for non-financial sanctions will be clients who either have dependent children or who are in active case management
 - 10.3 MSD may determine that it is more appropriate to apply a financial sanction than a non-financial sanction to individuals within the target cohort taking into account a client's circumstances
- 11 **agree** to the following settings for how Money Management as a non-financial sanction will apply:
 - 11.1 that electronic payment cards will be the mechanism for Money Management
 - 11.2 that 50 percent of a client's main benefit will go onto the electronic payment card which can only be spent at certain providers on essential items
 - 11.3 that clients would remain on Money Management for four weeks
 - 11.4 that Money Management will apply to a client's main benefit (i.e. it will not include supplementary assistance, e.g. Accommodation Supplement)
 - 11.5 that clients would be required to complete a recompliance activity by the end of the four weeks in order to exit Money Management (and go back to Green) at the end of the four-week period
 - 11.6 clients on Money Management will not be able to access Special Needs Grants or Emergency Housing Grants
 - 11.7 that if a client has not recomplied after four weeks, they will be deemed non-compliant and have their benefit reduced (for clients with dependent children) or suspended
- 12 **note** that the delivery of Money Management could be supported by third-party providers in the future
- 13 **agree** to the following settings for how Community Work Experience as a non-financial sanction will apply:

- 13.1 clients will be required to find work experience with a community or voluntary sector organisation with the support of MSD, and to complete this work experience for a specified duration and number of hours per week
- 13.2 clients cannot access Special Needs Grants or Emergency Housing Grants while receiving Community Work Experience as a sanction

Efficient administration of the proposals

- 14 **authorise** the Minister for Social Development and Employment to take policy decisions on the use of automated decision-making to streamline the processes to deliver the Traffic Light System

Authorisation

- 15 **authorise** the Minister for Social Development and Employment in consultation with other Ministers as appropriate, to take policy decisions to finalise draft legislation to implement the proposals in line with the overall aims of the Traffic Light System

Legislative implications

- 16 s 9(2)(f)(iv) [REDACTED]
- 17 s 9(2)(ba)(ii) [REDACTED]
- 18 s 9(2)(ba)(ii) [REDACTED]
- 19 **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to the Social Security Act 2018 and associated regulations to give effect to the recommendations above.

‘Authorised for lodgement’.

Hon Louise Upston

Minister for Social Development and Employment

Appendix 1: Examples of what happens when a client fails to meet a work-related obligation

Work-related obligations are designed to focus clients on activities that prepare them for and help them find work so that they continue to meet the eligibility criteria for their benefit. Below are some example scenarios of what happens when a client fails to meet a work-related obligation.

Scenario 1: Single client fails their work-related obligations for the first time

Millie is a single person with full-time work obligations. She has been on Jobseeker Support for six months and is meeting all her obligations.

Millie fails to attend a work-focused appointment and has not made contact to explain why. Her case manager attempts to contact her several times but is unable to reach her. Millie's case manager is satisfied that there is no good and sufficient reason for her failing to meet her obligations, based on the information available. They initiate an obligation failure and send a notice letter.

Millie doesn't get in touch within the five working day dispute period, and a Grade 1 sanction (50 percent reduction in Jobseeker Support) is imposed as it is Millie's first time failing an obligation within 12 months.

Three days later, Millie gets in touch and needs to re-comply. She changed her phone number and didn't know her case manager was trying to reach her until she logged into her MyMSD and saw the failure letter. She attends an appointment with her case manager and re-complies by attending a work-focused appointment, which is the activity she initially failed to complete. The sanction is lifted as Millie's case manager is satisfied she has met her obligations.

Scenario 2 – Sole parent fails their work-related obligations for the second time

Steve is a sole parent with part-time work obligations. He has been on Sole Parent Support for the last eight months and has previously failed to meet his obligations on one occasion within the last 12 months.

Steve fails to attend a seminar and his case manager contacts him to find out why. Steve explains he was running late because he was talking to his friend, and he missed the bus to his seminar. His case manager does not consider this is a good and sufficient reason for missing the appointment and initiates an obligation failure and sends a failure letter.

Steve's case manager arranges for him to attend the next available seminar in a week's time so that he can re-comply with his obligations.

As Steve has already failed once within the last 12 months, a Grade 2 sanction is imposed until Steve's case manager is satisfied he has completed his recompliance activity. As Steve has dependent children, his whole benefit is not suspended. Instead, the sanction is a 50 percent suspension of his Sole Parent Support.

Appendix 2: Graduated sanctions regime for main benefit recipients

Most benefit recipients⁷ must (unless they have a good and sufficient reason) meet:

- work preparation obligations
- work-test obligations (including drug test obligations), for either full- or part-time work
- work ability assessment obligations
- obligation to attend an interview
- obligations to work with contracted service providers.

In addition, clients and partners with dependent children have social obligations.⁸

When a client does not meet an obligation and has no good and sufficient reason, they are sanctioned under a graduated regime.

Status	Consequences	Consequences (for clients with dependent children)
Grade 1 Client has failed their obligations for the first time.	50 percent reduction in benefit, no change to supplementary assistance (e.g. Accommodation Supplement).	50 percent reduction in benefit, no change to supplementary assistance (e.g. Accommodation Supplement).
Grade 2 Client has failed their obligations a second time.	Full suspension of benefit and any supplementary assistance.	50 percent reduction in benefit, no change to supplementary assistance.
Grade 3 Client has failed their obligations a third time, or has refused an offer of suitable employment.	Full cancellation of benefit and any supplementary assistance. A non-entitlement period of 13 weeks applies.	50 percent cancellation of benefit, no change to supplementary assistance. A non-entitlement period of 13 weeks applies.

⁷ This includes those receiving Jobseeker Support, Sole Parent Support and Supported Living Payment (including partners of those on Jobseeker Support and Supported Living Payment), and partners of clients getting Emergency Benefit. It will also apply to clients receiving Emergency Benefit if work obligations or work preparation obligations were set as a condition of grant (Section 121 and 140, Social Security Act 2018).

⁸ Clients and partners with dependent children can be sanctioned if they don't take reasonable steps to do four things related to social outcomes: Enrolling their child with a primary healthcare provider, staying up to date with WellChild/Tamariki Ora checks, enrolling their child at an Early Childhood Education provider and ensuring the child attends (if age-appropriate), enrolling their child at school and ensuring the child attends (if age-appropriate).