



## Prepared for the Welfare Expert Advisory Group

# Obligations and Sanctions Rapid Evidence Review Paper 3: Usage of Work-related Sanctions Since 2001

November 2018

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### Executive summary

Paper 1 in this series provides an overview of the different types of client obligations commonly applied in welfare benefit systems, covering their rationale, and frameworks for understanding how they might influence behaviour and outcomes. Paper 2 examines what is known about the effects of work-related benefit sanctions, which are one mechanism that can be used to promote compliance with work obligations. This paper provides additional evidence on work-related sanctions, presenting new data on the way that they have been applied in New Zealand since 2001.

Work-related sanctions are currently generally applied when:

- a client has failed their work obligations
- an 'obligations failure' has been initiated, and
- the client has not, within five working days of notification of the failure being sent to them:
  - recompiled, or
  - disputed the failure and had it overturned.

Not all cases where sanctions are applied lead to a loss of income. Clients can dispute the imposition of a sanction. If the outcome is in the client's favour and the obligations failure is overturned, the sanction is removed (backdated to the date of imposition).

On average, in any given month in the year to June 2018, 4.7% of clients with full-time work obligations, 1.6% of clients with part-time work obligations, and 0.4% of clients with work preparation obligations had a sanction applied.

These rates have fluctuated over time, and are currently lower than in previous years.

The majority of sanctions that are applied to clients with full-time or part-time work obligations relate to a failure to attend an arranged appointment. These appointments can be for a variety of reasons, such as to confirm that the client's work search obligations are being met, or to discuss the client's readiness to work.

Of sanctions applied in the year to June 2018, 74.5% were for a first failure in a 12 month period, 19.4% were for a second failure and 5.9% were for a third failure. Just 0.1% were for refusal to accept an offer of suitable paid employment.

The proportion of clients with sanctions applied is highest for younger clients, and highest for work ready clients receiving Jobseeker Support. Currently one in ten clients aged 18–24 with full-time work obligations has a sanction applied in a given month.

Clients with full-time work obligations who have children are less likely than those without to have sanctions applied. This pattern is the opposite for clients with part-time or work preparation obligations. This reflects differences in benefit type between those with children and without (those without children tend to receive Jobseeker Support – Health Condition or Disability and receipt of this benefit is associated with low work-related sanction rates).

Māori clients are more likely than non-Māori clients to have sanctions applied. This difference is reduced by taking account of age differences, but not removed.

There is variation in the rate at which sanctions are applied both between and within regions.

Initiation of an obligations failure starts the process that can lead to a sanction being applied. In the year to June 2018, the count of disputes was 45.8% of the count of obligation failures (suggesting that close to half of obligation failures were disputed). The count of obligations failures overturned was 97.6% of the count of disputes (suggesting that in virtually all cases, a dispute led to the obligations failure being overturned).

The Ministry of Social Development is developing a new process that will apply after a potential obligation failure is identified. The process will involve additional steps to consider whether clients have good and sufficient reasons for not meeting their obligations before an obligation failure is initiated. It is expected that the new process will reduce obligation failures, associated 'recompliance appointments', disputed decisions, obligation failure related complaints, reviews and appeals, and the number of sanctions being applied. Detailed design work needs to get underway before the new process can be approved and implemented.

In addition, in May 2018, new guidance was provided to case managers around the application of benefit suspensions outside of the obligations failure and associated sanctioning processes. This guidance stressed the importance of case managers making decisions that were fair and reasonable when suspending a client's benefit. While this guidance applied to a completely separate process, some staff appear to have responded to this guidance by also changing the process they follow after a client has failed to meet their work obligations.

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## Work-related sanctions applied – definitions and current levels

Currently, people receiving Jobseeker Support (JS) and Sole Parent Support (SPS) must in most cases meet full-time or part-time work or work preparation obligations, and failure to meet these obligations without a good and sufficient reason may lead to an obligations failure being initiated. A sanction may then be applied. The client must have had no good and sufficient reason for failing work or work preparation obligations, and is given five working days from the time they are sent notification of the failure to dispute or recomment before a sanction is applied.

In order to recomment, the person must undertake an activity that is the same or similar to the obligation activity that initiated the failure (eg attend an appointment or seminar with Work and Income if the failure related to non-attendance at an appointment or seminar).

This review looks at the number and rate of 'sanctions applied' – where these refer to instances where an obligations failure has been initiated, and the client has not, within five working days of notification of the failure being sent to them, either recommented, or disputed the failure and had it withdrawn or overturned. People who receive a benefit as a partner are included in the calculation of numbers and rates.<sup>1</sup>

Not all cases where sanctions are applied lead to a loss of income. Clients can dispute the imposition of a sanction or seek a formal review of the decision. If the outcome is in the client's favour and the obligations failure is overturned, the sanction is removed (backdated to the date of imposition).

Counts of cases where sanctions applied do lead to a loss of income, at least for some time, could not be obtained in the time available for this review. However supplementary material included in this review shows that 47.4% of obligation failures in the year to June 2018 were disputed, and for 97.6% of disputes, this led to the obligations failure being overturned. In some of these cases, the outcome of the dispute would occur after the sanction was applied, leading to a backdated payment.

In the month of June 2018, there were 3,210 work-related sanctions applied. Most (2,553, or 80%) were applied to people with full-time work obligations (Table 1 overleaf). On average, in a given month in the year to June 2018, 4.7% of clients with full-time work obligations, 1.6% of clients with part-time work obligations, and 0.4% of clients with work preparation obligations had a sanction applied (Table 2 overleaf).

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<sup>1</sup> Numbers used in this report may in some instances not align with what is contained in other reports. This is due to the business rule used for this report being slightly different than in other reports post March 2016. Following investigations the differences are slight, and do not affect the rates which have been calculated in this report. Figures should be treated as research figures, and not as official reporting.

**Table 1: Sanctions applied, by obligations, month of June 2018**

	<b>Number applied</b>	<b>Population</b>	<b>Proportion of population that had a sanction applied</b>
<b>Full-time</b>	2,553	76,447	3.3%
<b>Part-time</b>	482	53,430	0.9%
<b>Work preparation</b>	175	68,048	0.3%

Note: Table includes current, suspended and expired benefits. It also includes partners.

**Table 2: Average number of sanctions applied per month, by obligations, start of July 2017 – end of June 2018**

	<b>Average number applied</b>	<b>Average population</b>	<b>Average proportion of population that had a sanction applied<sup>2</sup></b>
<b>Full-time</b>	3,571	76,127	4.7%
<b>Part-time</b>	845	54,170	1.6%
<b>Work preparation</b>	293	67,121	0.4%

Note 1: Table includes current, suspended and expired benefits. It also includes partners.

Note 2: This was calculated by taking the average number applied and dividing it by the average population.

## Trends in sanctions applied

The number of sanctions applied and the number of people with different types of work obligations have varied over time. Economic changes and policy reforms have been an important driver of numbers of benefit recipients with work obligations.<sup>2</sup> Policy reforms and operational changes have influenced the number of sanctions applied and the sanction rate.

Examples of changes that are likely to have affected the rate at which sanctions are applied include the following.

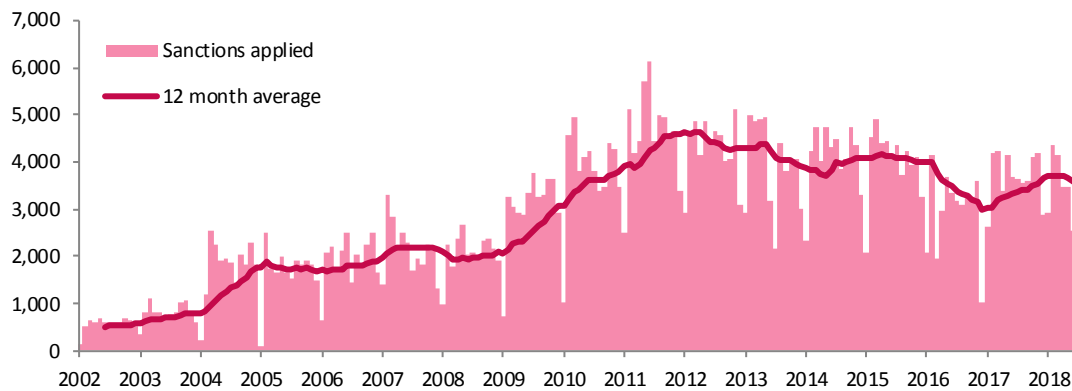
- Changes were made in 2004 to streamline and automate the Information Technology and administrative systems used to contact and potentially sanction clients following an apparent failure of work test obligations. This followed an evaluation that had found system inefficiencies created some staff resistance to applying the work test process, and variation in usage both within and between offices (MSD, 2002). The 2004 streamlining changes were followed by an increase in the rate at which work tests were initiated by staff, and an increase in rates of work test failure (MSD, 2004).
- In September 2010, as part of the Future Focus reform, the work test process was simplified so that sanctions could be imposed earlier. A five day notice period before a work test failure was initiated was removed. This notice period had allowed clients to provide their reasons for not complying with their obligations before case managers made a decision to initiate an obligations failure. As a result, work test failures could now be initiated immediately following a failure to attend an appointment or seminar when required. The client would then have five working days to respond before their benefit was reduced (McKenzie, 2018, p501).

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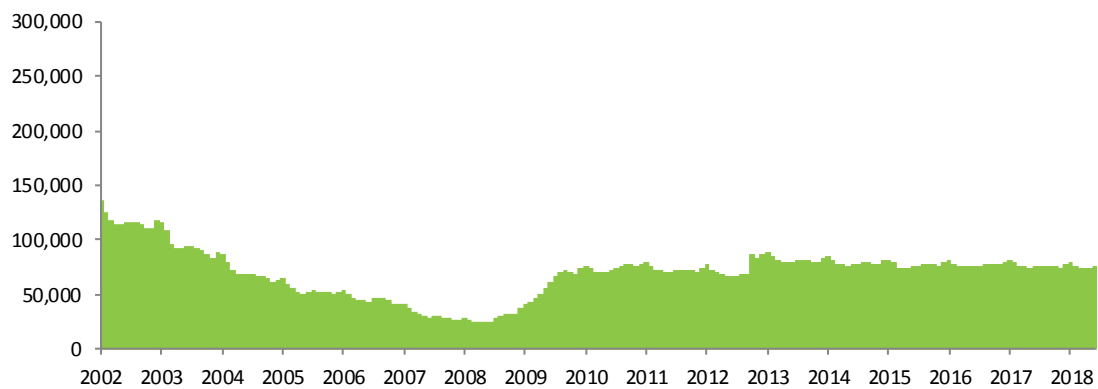
<sup>2</sup> More information is available at: <https://www.msd.govt.nz/about-msd-and-our-work/about-msd/history/social-assistance-chronology-programme-history.html>

Benefit recipients with full-time obligations have received the majority of applied sanctions since July 2001, with the monthly number of sanctions applied to this group peaking in June 2011 (Figure 1a). When expressed as a proportion of the full-time work-tested population (Figure 1b), there is a peak in the proportion of the population which had sanctions applied in May 2008, before the proportion slowly decreased over the following ten years (Figure 1c).

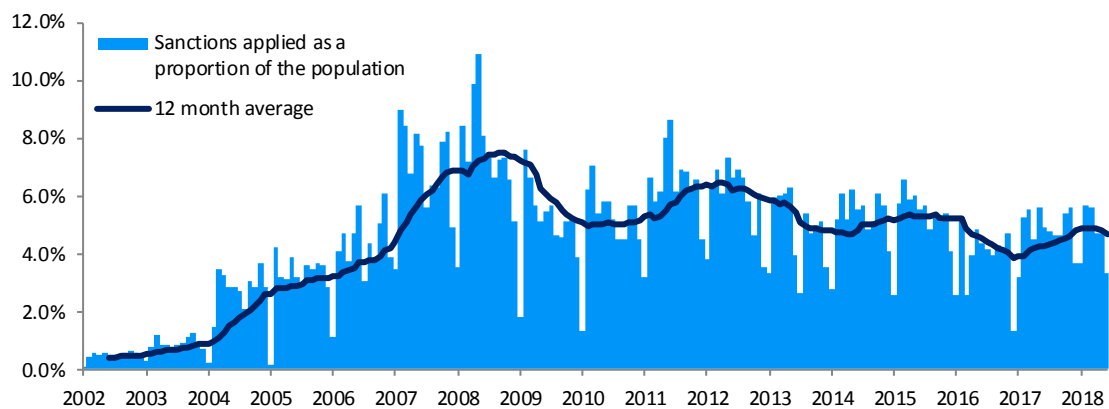
**Figure 1a: Sanctions applied to full-time work obligated benefit recipients, January 2002 – June 2018**



**Figure 1b: Full-time work obligated population, January 2002 – June 2018**

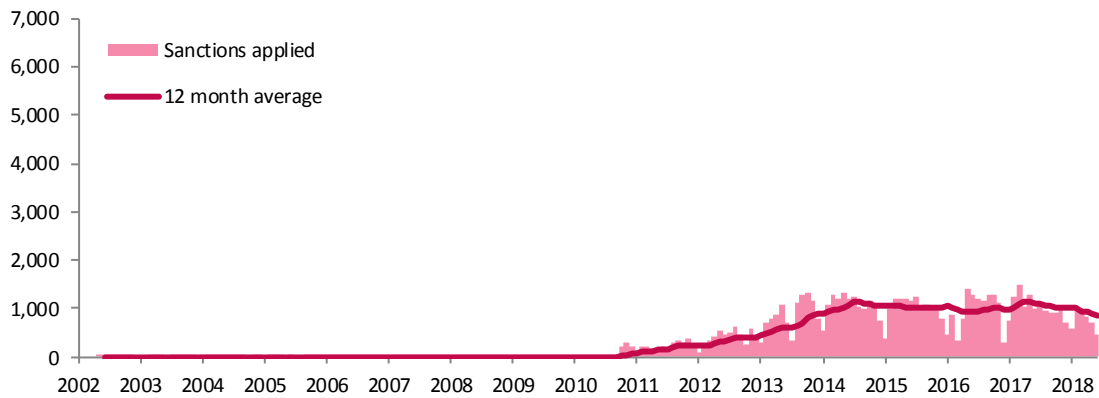


**Figure 1c: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, January 2002 – June 2018**

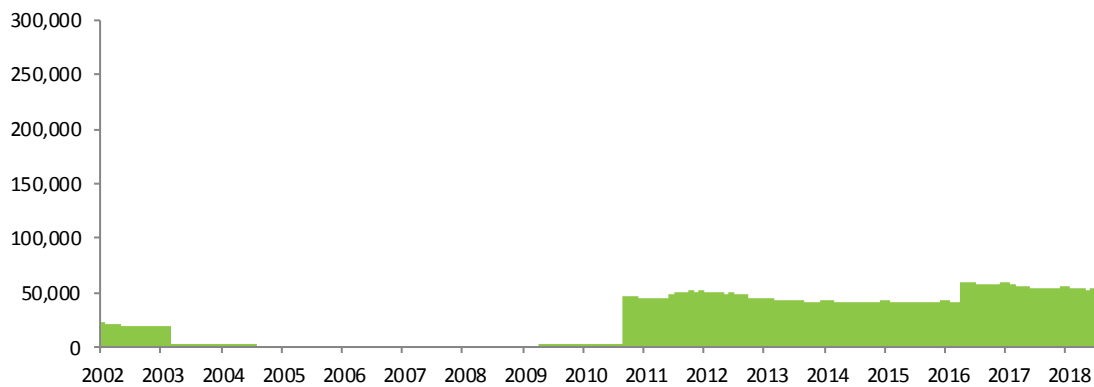


The number of sanctions applied to those with part-time work obligations, while small in number, increased between mid-2010 and 2013, and has remained stable between 900 and 1,400 a month until 2018 (Figure 2a). When expressed as a proportion of the part-time work tested population (Figure 2b), the monthly proportion of the population that had a sanction applied peaked in October 2013, before it slowly decreased in the years that follow (Figure 2c).

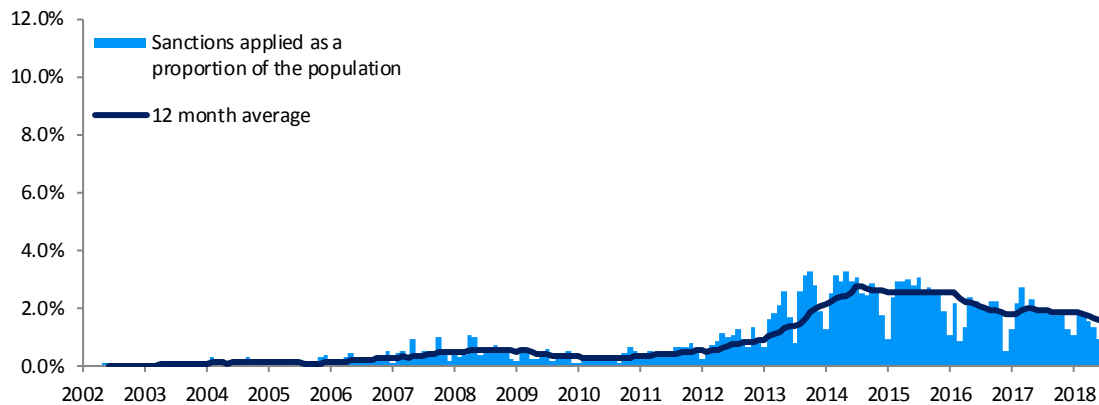
**Figure 2a: Sanctions applied to part-time work obligated benefit recipients, January 2002 – June 2018**



**Figure 2b: Part-time work obligated population, January 2002 – June 2018**



**Figure 2c: Proportion of part-time work obligated benefit recipients that had a sanction applied during a month, January 2002 – June 2018**

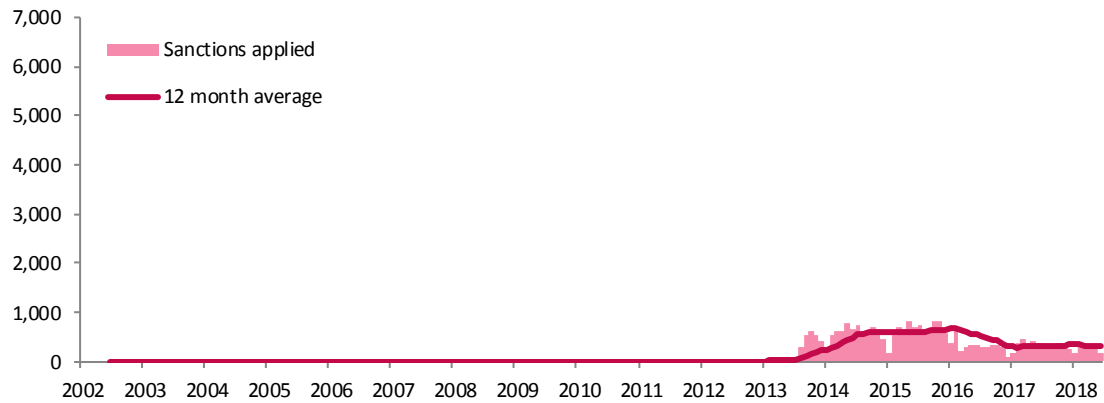




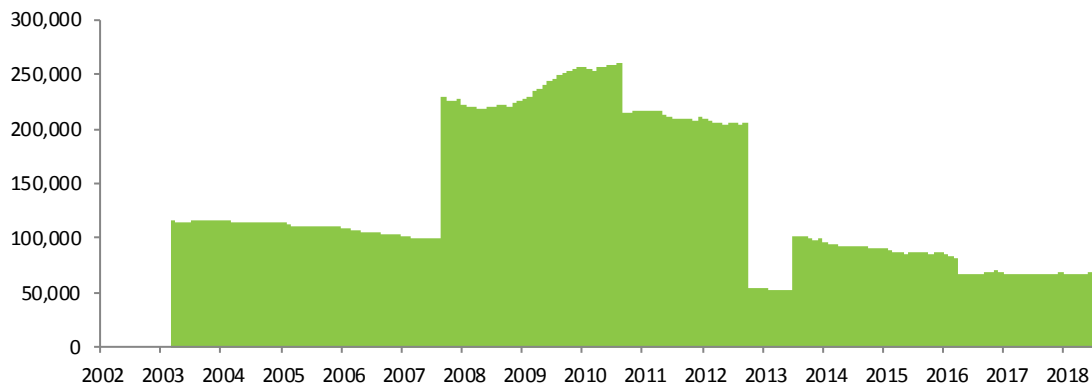
Some benefit recipients have work preparation obligations. While this population has generally been quite large, especially in the 2008–2012 period (Figure 3b), a very small number of sanctions are applied to this group of recipients (Figure 3a).

Sanctions started being applied to this group in mid-2013 as a consequence of the Government’s Welfare Reform programme. The application of sanctions for this group of recipients peaked numerically and as a proportion of the population in November 2015 (Figure 3a, 3c).

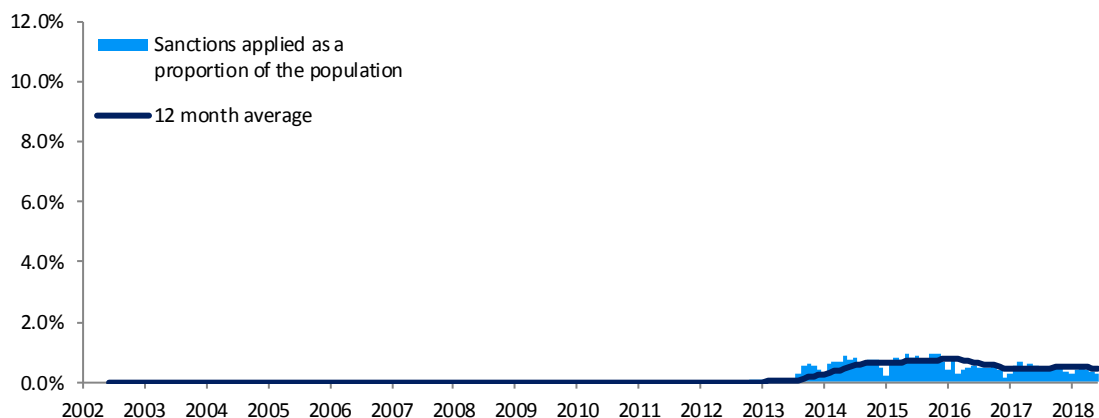
**Figure 3a: Sanctions applied to work preparation obligated benefit recipients, January 2002 – June 2018**



**Figure 3b: Work preparation obligated population, January 2002 – June 2018**



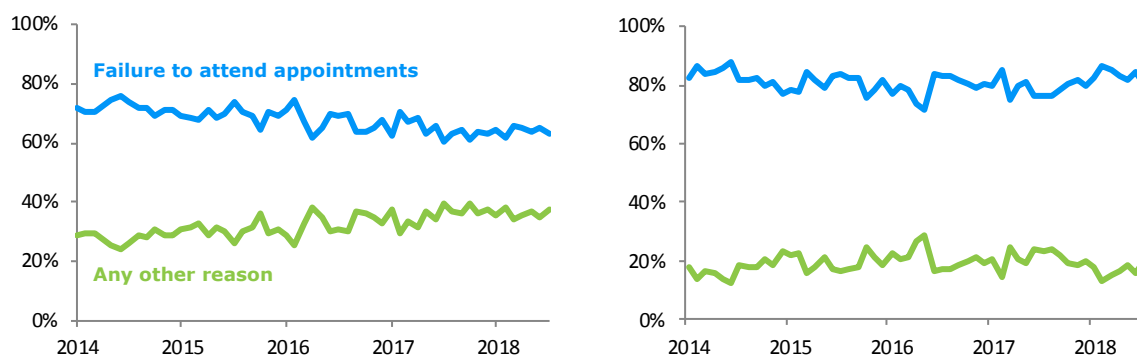
**Figure 3c: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, January 2002 – June 2018**



## Reasons for sanctions being applied

Since Welfare Reform, sanctions are most often applied for full-time and part-time work-tested benefit recipients because of the failure to attend arranged appointments (Figure 4). Since the start of August 2013, this reason has accounted for 68% of sanctions for full-time work-tested benefit recipients, and 81% of sanctions for part-time work-tested benefit recipients (Table 3).

**Figure 4: Reason for sanction, percentage of total full-time (left) and part-time (right) sanctions, January 2014 – June 2018**



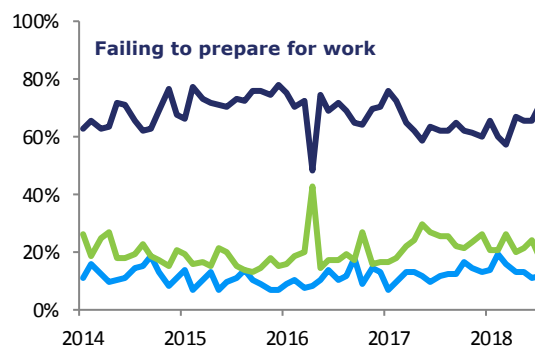
**Table 3: Sanctions by reason, for full-time and part-time work obligated benefit recipients, since 01 August 2013**

	Failing to attend arranged appointments	All other reasons	Total sanctions
Full-time	150,898 (68%)	69,606 (32%)	220,504 (100%)
Part-time	48,421 (81%)	11,083 (19%)	59,504 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

This differs from those who had a sanction applied while having work preparation obligations. Since the start of August 2013, only 11% of sanctions applied for this group have been for failing to attend arranged appointments (Table 4). Instead, the main reason for the application of sanctions is because of the failure to complete obligations around preparing for work (Figure 5). This has been the reason for sanction in 69% of sanctions applied for this group.

**Figure 5: Reason for sanction, percentage of total work preparation sanctions, Jan 2014 – Jun 2018**



**Table 4: Sanctions by reason, for full-time and part-time work obligated benefit recipients, since 01 August 2013**

	Failure to prepare for work	Failing to attend arranged appointments	All other reasons	Total sanctions
Work preparation	18,595 (69%)	3,062 (11%)	5,412 (20%)	27,069 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

Of sanctions applied in the year to June 2018:

- in 74.5% of cases, this was the client's first obligations failure in the year (in which case any sanction that went on to be applied would be a reduction in benefit)
- in 19.4% of cases it was the client's second failure in the year (in which case any sanction that went on to be applied would be a suspension, or a 50% reduction in benefit in the case of parents and partnered people)
- in 5.9% of cases it was the client's third failure in the year (in which case any sanction that went on to be applied would be a cancellation of benefit and a 13 week non-entitlement period, or a 50% reduction in benefit in the case of parents and partnered people)
- in 0.1% of cases, the person had refused an offer of suitable paid employment (in these cases, the benefit is cancelled and there is a 13 week non-entitlement period regardless of the number of prior obligation failures or sanctions they have had, or there is a 50% reduction in benefit in the case of parents and partnered people).

## Sanctions applied, by selected benefits

Most working-age main benefits have work obligations attached to them. The majority of Jobseeker Support – Work Ready recipients have full-time work obligations, while most Jobseeker Support – Health Condition or Disability, and Sole Parent Support recipients, have either part-time work or work preparation obligations.<sup>3</sup>

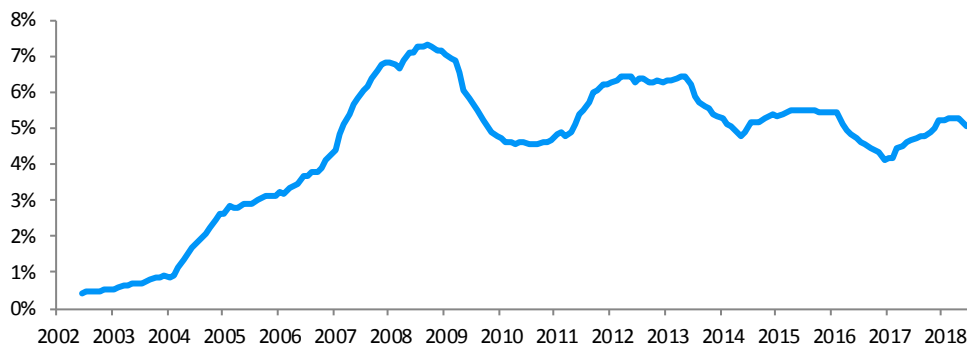
**Table 5: Work-related obligations by selected benefit, as at end of June 2018**

	<b>Jobseeker Support – Work Ready</b>	<b>Jobseeker Support – Health Condition or Disability</b>	<b>Sole Parent Support</b>
<b>Full-time</b>	65,928 (93.7%)	2,657 (4.4%)	278 (0.5%)
<b>Part-time</b>	2,355 (3.3%)	8,338 (13.7%)	40,450 (73.0%)
<b>Work preparation</b>	2,073 (2.9%)	50,040 (82.0%)	14,685 (26.5%)
<b>Total with obligations</b>	70,356 (100%)	61,035 (100%)	55,413 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

Over time, the overwhelming majority of sanctions that have been applied to recipients with full-time work obligations were either applied to those on the Unemployment Benefit (prior to Welfare Reform) or Jobseeker Support – Work Ready (post Welfare Reform). The proportion of this population that had a sanction applied during a given month, peaked in 2008, and has since fallen away from this peak (Figure 6).

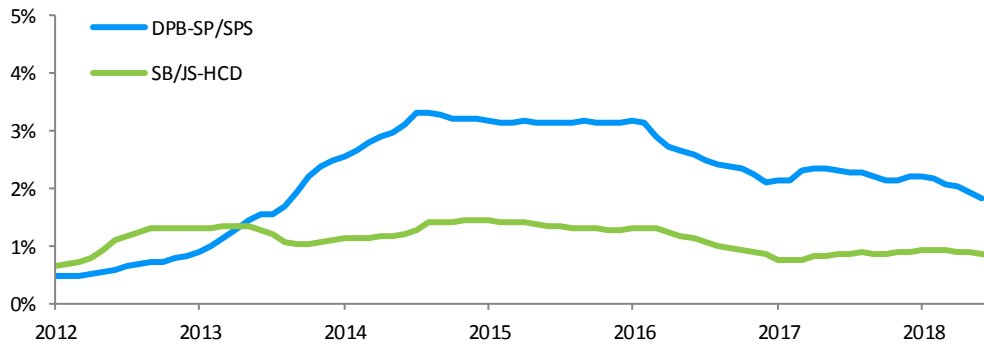
**Figure 6: Proportion of full-time work obligated Unemployment Benefit/Jobseeker Support – Work Ready recipients that had a sanction applied during a month, January 2002 – June 2018 (12 month rolling average)**



Sanctions applied to part-time work obligated recipients are mostly applied to sole parents (Sole Parent Support or Domestic Purposes Benefit – Sole Parent). There is also a small group of the short-term health condition benefit population (Sickness Benefit or Jobseeker Support – Health Condition or Disability) that have sanctions applied (Figure 7 overleaf).

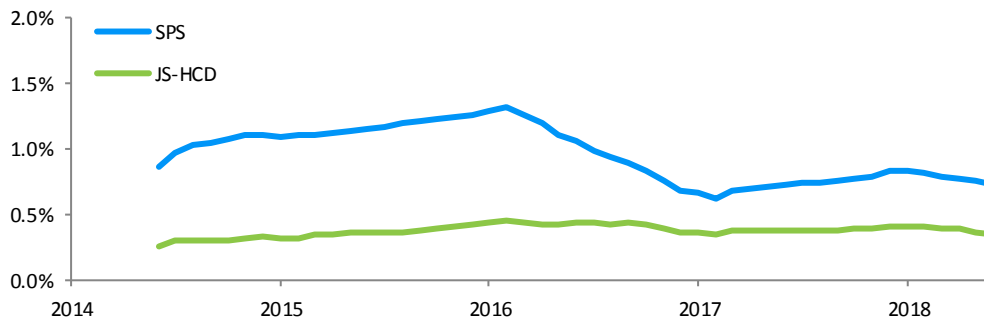
<sup>3</sup> Supported Living Payment recipients also have work preparation obligations but are very rarely sanctioned.

**Figure 7: Proportion of part-time obligated benefit recipients that had a sanction applied during a month, by benefit grouping, January 2012 – June 2018 (12 month rolling average)**



Since 2016, most sanctions applied to benefit recipients with work preparation obligations have been applied to Jobseeker Support – Health Condition or Disability recipients. However, as a proportion of the relevant benefit population, Sole Parent Support recipients had sanctions applied more often across the January 2014 – June 2018 period (Figure 8).

**Figure 8: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, by benefit grouping, January 2014 – June 2018 (12 month rolling average)**



## Sanctions applied, by selected demographics

### Age

The types of work obligations that are imposed on benefit recipients vary across age groups (Table 6). This is due to factors like health conditions – which are more likely to affect recipients that are 40 years and older, or having children – which is more likely to impact the 25–39 age group.

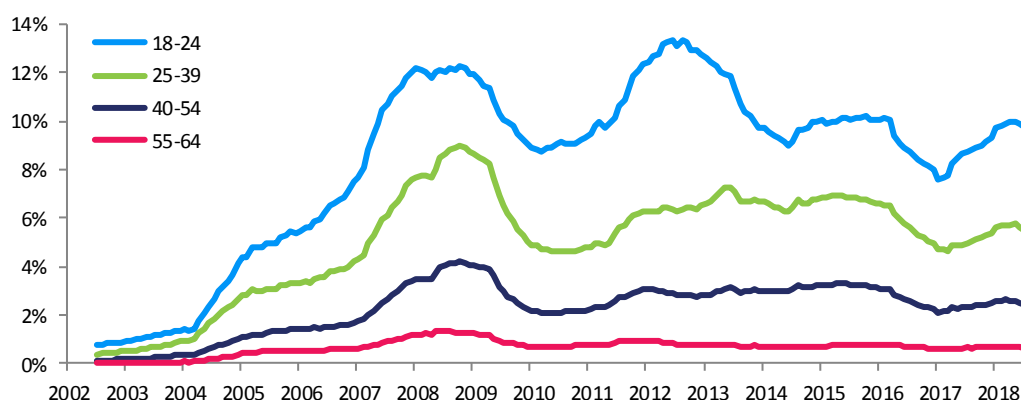
**Table 6: Work-related obligations by age, as at end of June 2018**

	18–24 years	25–39 years	40–54 years	55–64 years
<b>Full-time</b>	18,364 (51.4%)	22,190 (30.1%)	20,715 (37.6%)	15,178 (45.5%)
<b>Part-time</b>	4,943 (13.8%)	28,983 (39.3%)	16,177 (29.3%)	3,327 (10.0%)
<b>Work preparation</b>	12,415 (34.8%)	22,520 (30.6%)	18,268 (33.1%)	14,845 (44.5%)
<b>Total with obligations</b>	35,722 (100%)	73,693 (100%)	55,160 (100%)	33,350 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

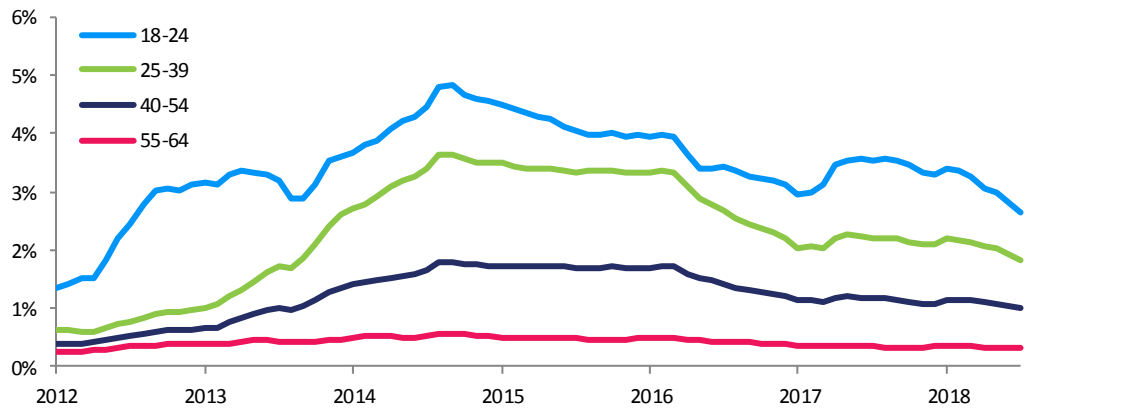
For benefit recipients with full-time work obligations, a larger proportion of youth (18–24) had a sanction applied during a given month than other age groups (Figure 9). The proportion of an age group that had a sanction applied during a month decreased as the age of the group increased.

**Figure 9: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, by age, June 2002 – June 2018 (12 month rolling average)**

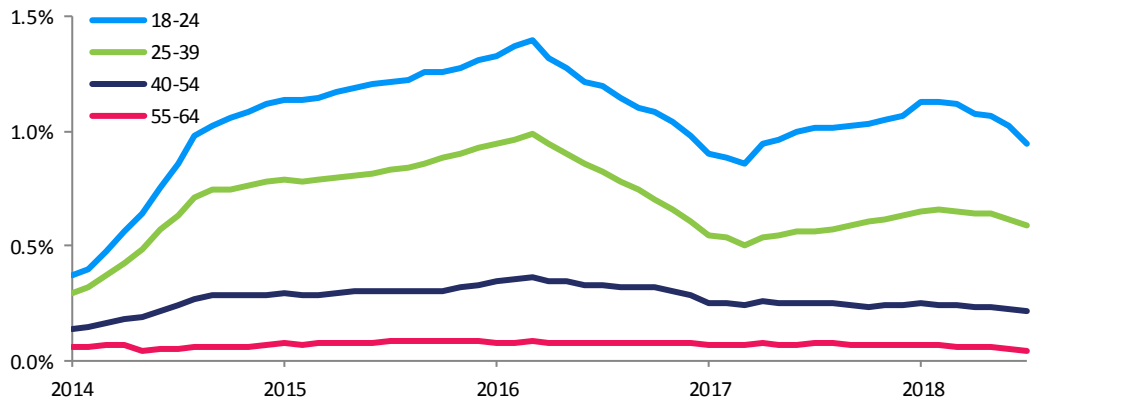


This relationship is also true for sanctions applied to benefit recipients with part-time work, or work preparation obligations (Figures 10 and 11 overleaf).

**Figure 10: Proportion of part-time work obligated benefit recipients that had a sanction applied during a month, by age, January 2012 – June 2018 (12 month rolling average)**



**Figure 11: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, by age, January 2014 – June 2018 (12 month rolling average)**



## Children

Recipients with children can have full-time, part-time or work preparation obligations depending on the ages of their children, and depending on whether they are the primary recipient of a benefit or are a partner.

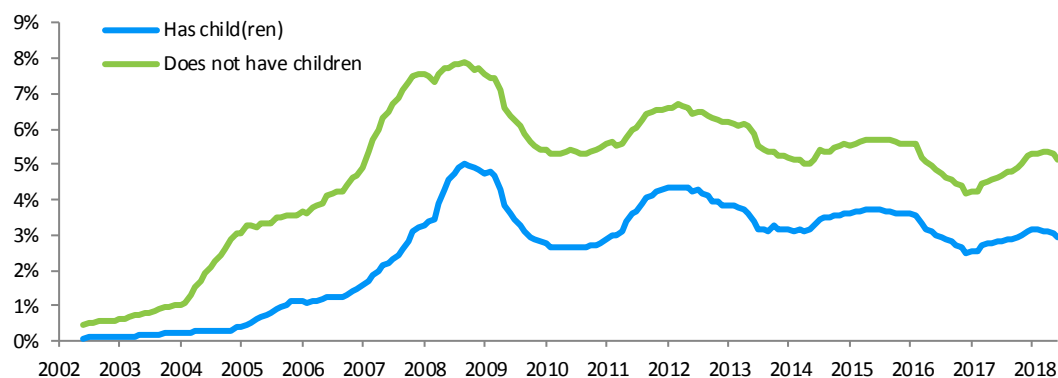
**Table 7: Work-related obligations, by if recipient has at least one child, as at end of June 2018**

	Has at least one dependent child	Does not have any dependent children
<b>Full-time</b>	15,664 (18.1%)	60,783 (54.5%)
<b>Part-time</b>	46,829 (54.2%)	6,601 (5.9%)
<b>Work preparation</b>	23,855 (27.6%)	44,193 (39.6%)
<b>Total with obligations</b>	86,348 (100%)	111,577 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

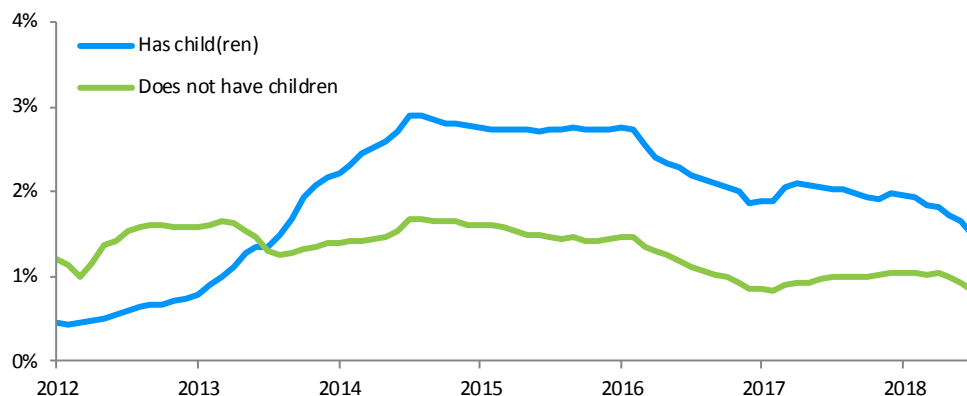
For full-time work obligated recipients, a larger proportion of recipients without children had a sanction applied during a given month, than the proportion of recipients with children (Figure 12).

**Figure 12: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, by whether they have at least one child, June 2002 – June 2018 (12 month rolling average)**



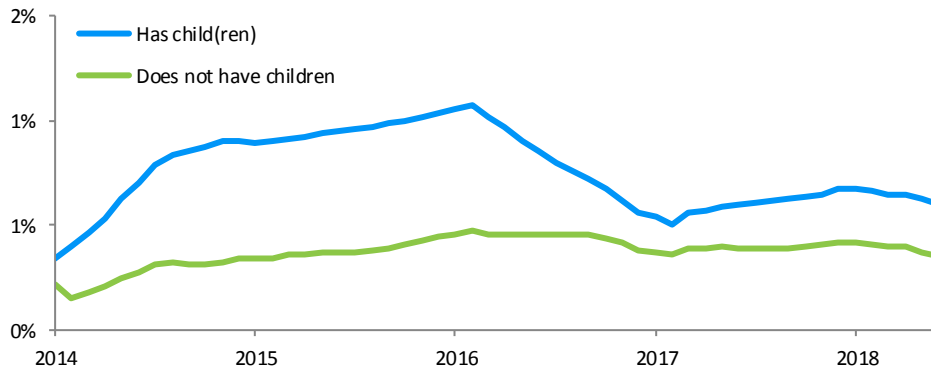
This relationship is different for recipients with part-time work or work preparation obligations. As a proportion of these populations, recipients with children generally had more sanctions applied than recipients without children (Figures 13 and 14).

**Figure 13: Proportion of part-time work obligated benefit recipients that had a sanction applied during a month, by whether they have at least one child, January 2012 – June 2018 (12 month rolling average)**





**Figure 14: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, by whether they have at least one child, January 2014 – June 2018 (12 month rolling average)**



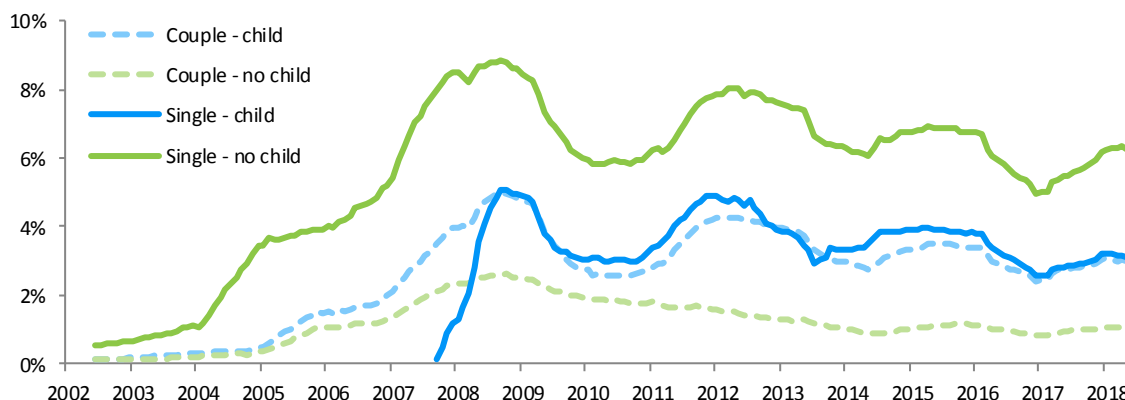
This relationship reflects the benefit composition of these groups (i.e recipients with children are more likely to be on Sole Parent Support, and recipients without are more likely to be receiving Jobseeker Support – Health Condition or Disability) and the proportion of those benefit groups that have sanctions applied.<sup>4</sup>

<sup>4</sup> Controlling for these differences, while possible, would involve working with small populations and small numbers of sanctions (for example, a small number of recipients on JS-HCD have children, while no Sole Parent Support recipients do not have children), which may skew these figures.

## Partnership Status

Out of benefit recipients with full-time work obligations, a larger proportion of recipients who are not in a relationship and do not have a child have sanctions applied over a given month, compared to other groups.

**Figure 15: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, by partnership status and if the recipient had any children, June 2002 – June 2018 (12 month rolling average)**



In October 2007, changes to policy were made which resulted in benefit recipients who were not in a relationship and had a child starting to have sanctions applied. This group of benefit recipients had not previously received sanctions.

For recipients with part-time work or work preparation obligations, sanctions are usually applied to those who are not in a relationship. This is despite a sizable, non-zero number of benefit recipients in relationships having part-time work or work preparation obligations.

**Table 8: Applied sanctions on part-time and work preparation populations, by relationship type, June 2018**

	Part-time, in relationship	Part-time, not in relationship	Work preparation, in relationship	Work preparation, not in relationship
<b>Population</b>	6,180	47,249	7,685	60,363
<b>Sanctions in month</b>	18	464	8	167
<b>Proportion of population sanctioned</b>	0.3%	1.0%	0.1%	0.3%

Note 1: Population used is the current, suspended and expired work-test population at the end of June 2018.

Note 2: Table includes current, suspended and expired benefits. It also includes partners.

## Ethnicity

A larger proportion of Māori with work obligations have full-time work obligations, than non-Māori. This partly reflects their younger age profile.

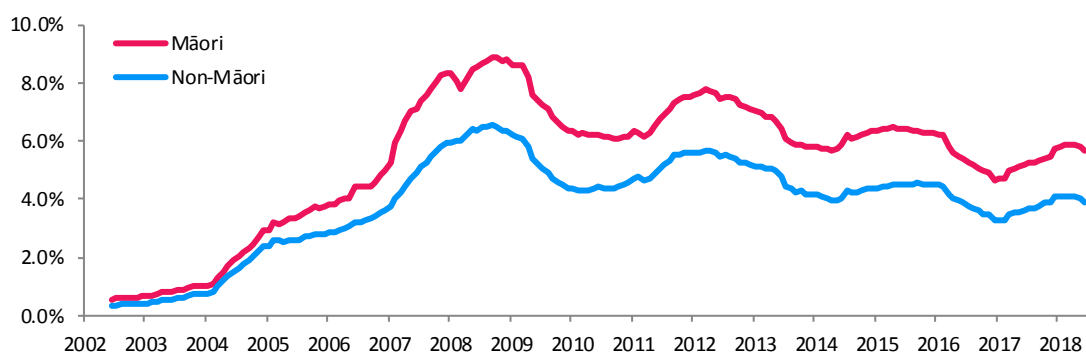
**Table 9: Work-related obligations, by ethnicity, as at end of June 2018**

	Māori	Non-Māori
<b>Full-time</b>	31,770 (40.1%)	44,677 (37.6%)
<b>Part-time</b>	23,721 (30.0%)	29,709 (25.0%)
<b>Work preparation</b>	23,692 (29.9%)	44,356 (37.4%)
<b>Total with work obligations</b>	79,183 (100%)	118,742 (100%)

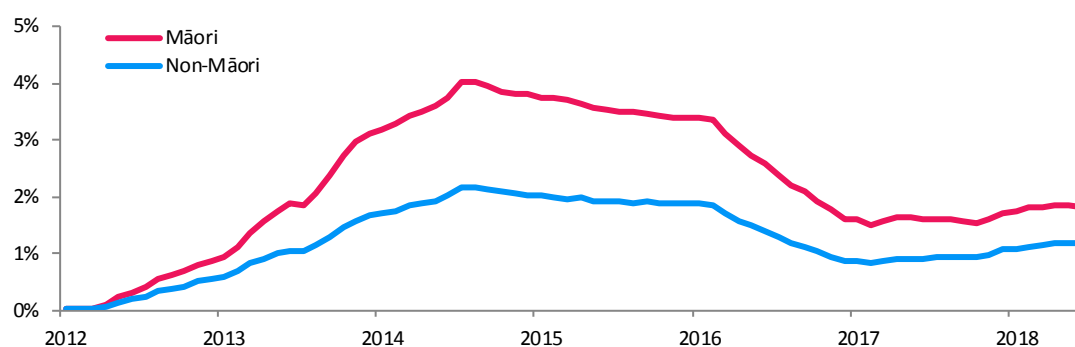
Note: Table includes current, suspended and expired benefits. It also includes partners.

For all types of work obligations, the proportion of Māori who have a sanction applied during a month has been consistently higher than the proportion of non-Māori who have a sanction applied during a month (Figures 16, 17 and 18 (overleaf)). This difference is reduced by age-standardisation, but not removed.

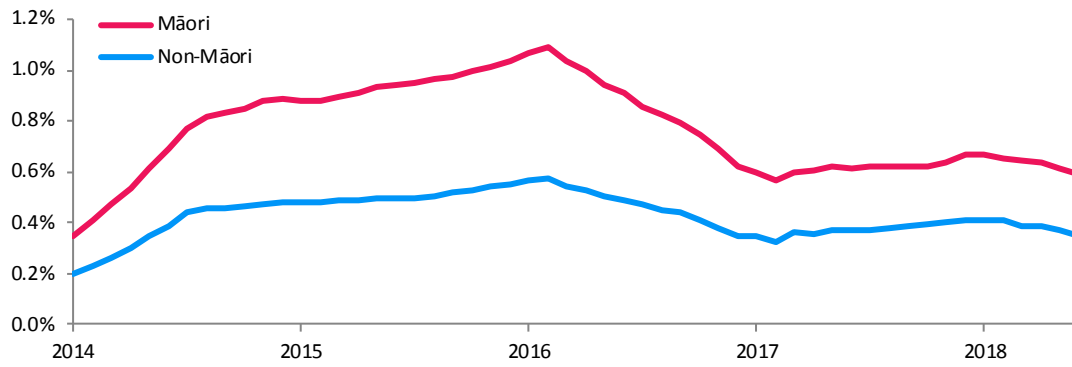
**Figure 16: Proportion of full-time work obligated benefit recipients that had a sanction applied, by ethnicity, June 2002 – June 2018 (12 month rolling average, age-standardised)**



**Figure 17: Proportion of part-time work obligated benefit recipients that had a sanction applied, by ethnicity, January 2012 – June 2018 (12 month rolling average, age-standardised)**



**Figure 18: Proportion of work preparation obligated benefit recipients that had a sanction applied by ethnicity, January 2014 – June 2018 (12 month rolling average, age-standardised)**



## Gender

A larger proportion of males with work obligations have full-time work obligations than females.

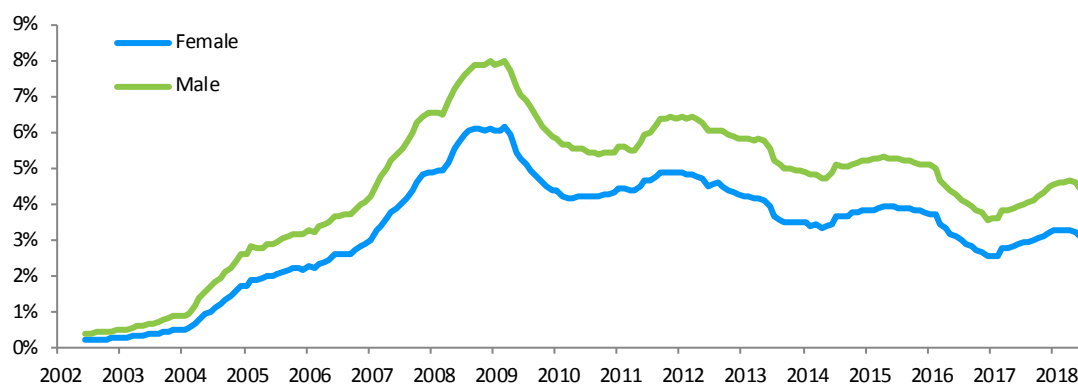
**Table 10: Work-related obligations, by gender, as at end of June 2018**

	Male	Female
<b>Full-time</b>	40,130 (52.7%)	36,317 (29.8%)
<b>Part-time</b>	9,438 (12.4%)	43,992 (36.1%)
<b>Work preparation</b>	26,603 (34.9%)	41,445 (34.1%)
<b>Total</b>	76,171 (100%)	121,754 (100%)

Note: Table includes current, suspended and expired benefits. It also includes partners.

For benefit recipients with full-time work obligations, the proportion of males who had a sanction applied during a month was higher than the proportion of females who had a sanction applied during a month (Figure 19). This difference is reduced by the application of age-standardisation, but not removed.

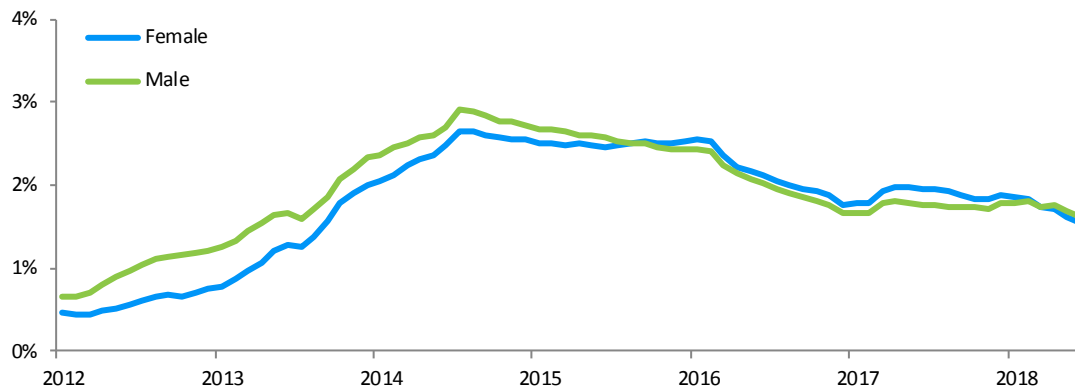
**Figure 19: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, by gender, June 2002 – June 2018 (12 month rolling average, age-standardised)**



From 2015 onwards, there was little difference between the proportion of males with part-time work obligations who had a sanction applied during a month, and the proportion of females with these obligations who had a sanction applied during a month (Figure 20 overleaf).<sup>5</sup>

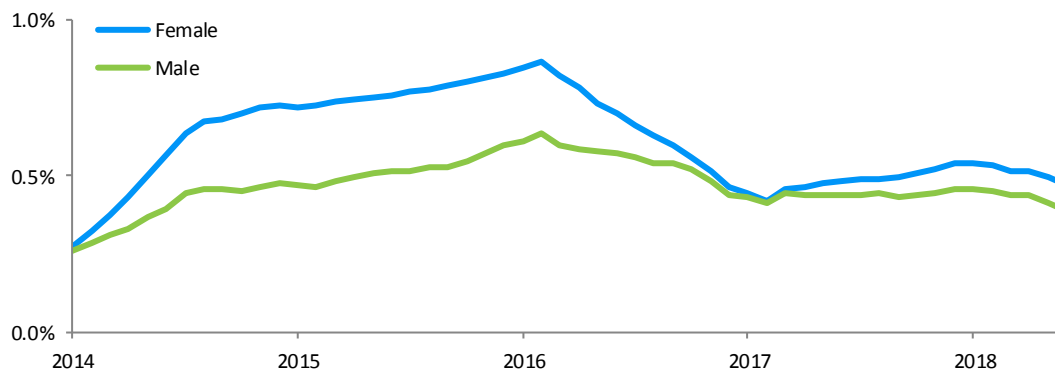
<sup>5</sup> Figures are not age-standardised. Age-standardisation is not appropriate in this instance; the reason for being in benefit receipt differs significantly for males and females. Females are more likely to be in this group as sole parents, while males are more likely to be in this group due to having short-term medical conditions. Controlling for these differences would allow further comparison along the lines of age-standardisation.

**Figure 20: Proportion of part-time work obligated benefit recipients that received a sanction in a month, by gender, January 2011 – June 2018 (12 month rolling average)**



For benefit recipients with work preparation obligations, the proportion of females who had a sanction applied during a month has generally been higher than the proportion of males who had a sanction applied during a month (Figure 21).<sup>6</sup>

**Figure 21: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, by gender, January 2014 – June 2018 (12 month rolling average)**



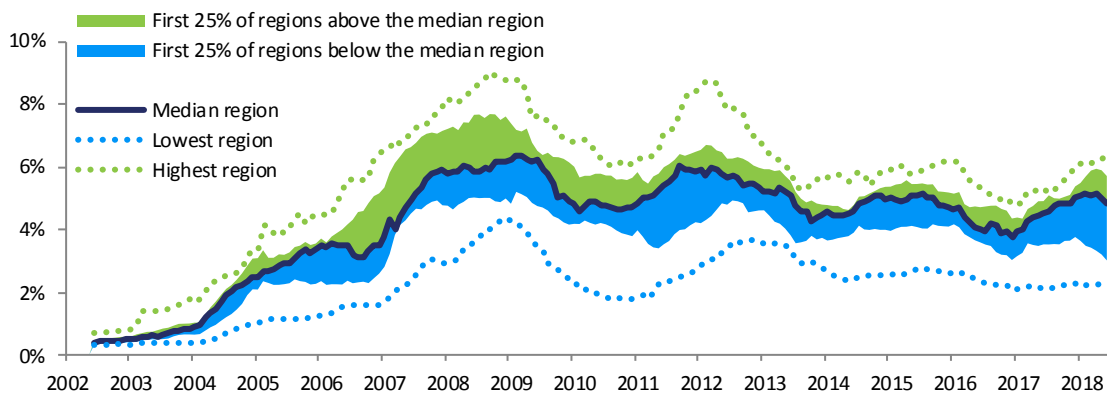
<sup>6</sup> Figures are not age-standardised. Age-standardisation is not appropriate in this instance; reason for being in benefit receipt differs significantly for males and females. Females are more likely to be in this group as sole parents, while males are more likely to be in this group due to having short-term medical conditions. Controlling for these differences would allow further comparison along the lines of age-standardisation.

## Sanctions applied, variation across regions

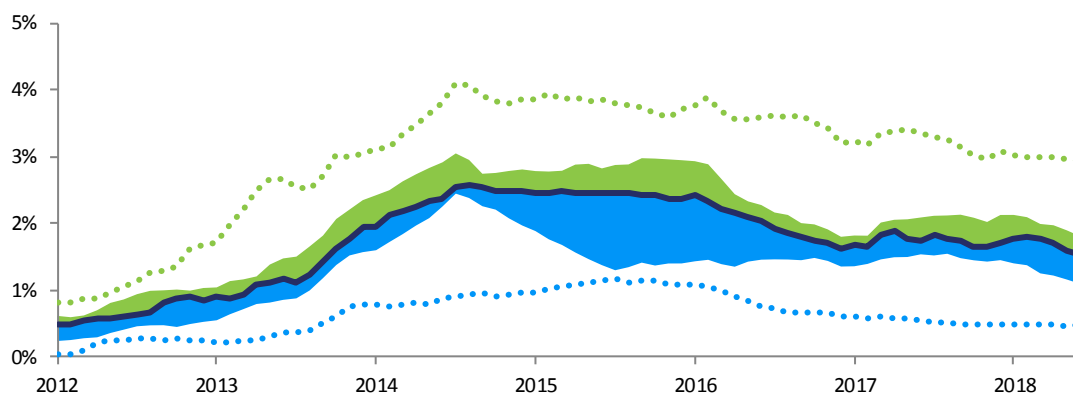
Over time, there has been variation on how benefit sanctions are applied across the Ministry of Social Development administrative regions (Figures 22, 23 and 24).

The scale of variation in the proportion of full-time work tested benefit recipients that had sanctions applied during a month has been broadly consistent since Welfare Reform.

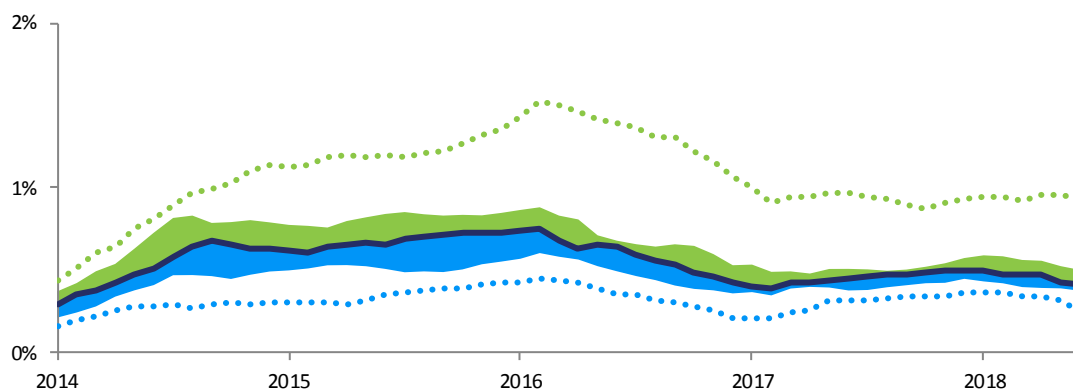
**Figure 22: Proportion of full-time work obligated benefit recipients that had a sanction applied during a month, January 2002 – June 2018 (12 month rolling average)**



**Figure 23: Proportion of part-time work obligated benefit recipients that had a sanction applied during a month, January 2012 – June 2018 (12 month rolling average)**



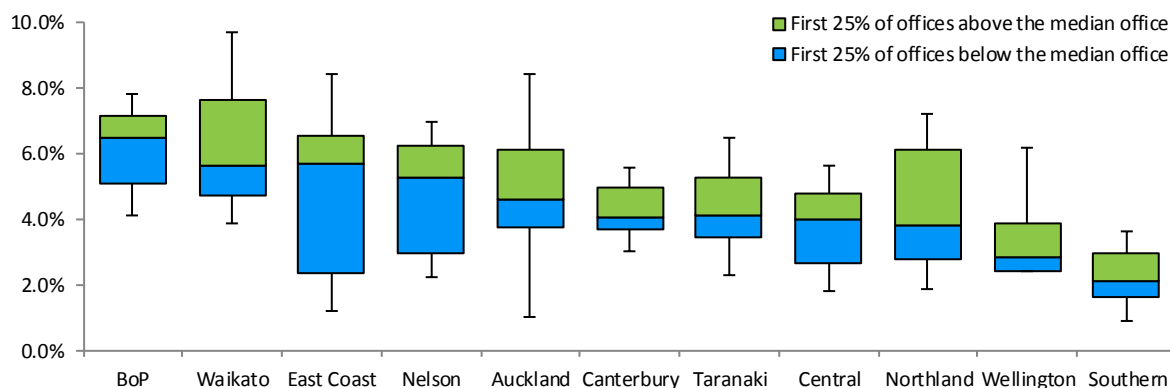
**Figure 24: Proportion of work preparation obligated benefit recipients that had a sanction applied during a month, January 2014 – June 2018 (12 month rolling average)**



## Sanctions applied, variation within regions

Looking at sanctions applied to full-time work obligated benefit recipients since Welfare Reform, by region, shows the variation within regions. Some regions are internally very consistent with how often they apply sanctions (like the Southern region) while some regions have more variance between their lower quartile placed office, and their upper quartile placed office (like the East Coast region).

**Figure 25: Proportion of full-time work tested population sanctioned since Welfare Reform (end of July 2013 – June 2018), by region**



**Table 11: Proportion of full-time work tested population sanctioned since Welfare Reform (end of July 2013 – June 2018), by region**

	Median office	Upper quartile office	Lower quartile office	Number of offices counted <sup>2</sup>
<b>Bay of Plenty</b>	6.5%	7.2%	5.1%	10
<b>Waikato</b>	5.7%	7.6%	4.8%	14
<b>East Coast</b>	5.7%	6.5%	2.4%	9
<b>Nelson</b>	5.3%	6.3%	3.0%	6
<b>Auckland</b>	4.6%	6.1%	3.8%	34
<b>Canterbury</b>	4.1%	5.0%	3.7%	10
<b>Taranaki</b>	4.1%	5.3%	3.5%	9
<b>Central</b>	4.0%	4.8%	2.7%	8
<b>Northland</b>	3.8%	6.1%	2.8%	8
<b>Wellington</b>	2.9%	3.9%	2.4%	9
<b>Southern</b>	2.1%	3.0%	1.6%	10

Note 1: Table includes current, suspended and expired benefits. It also includes partners.

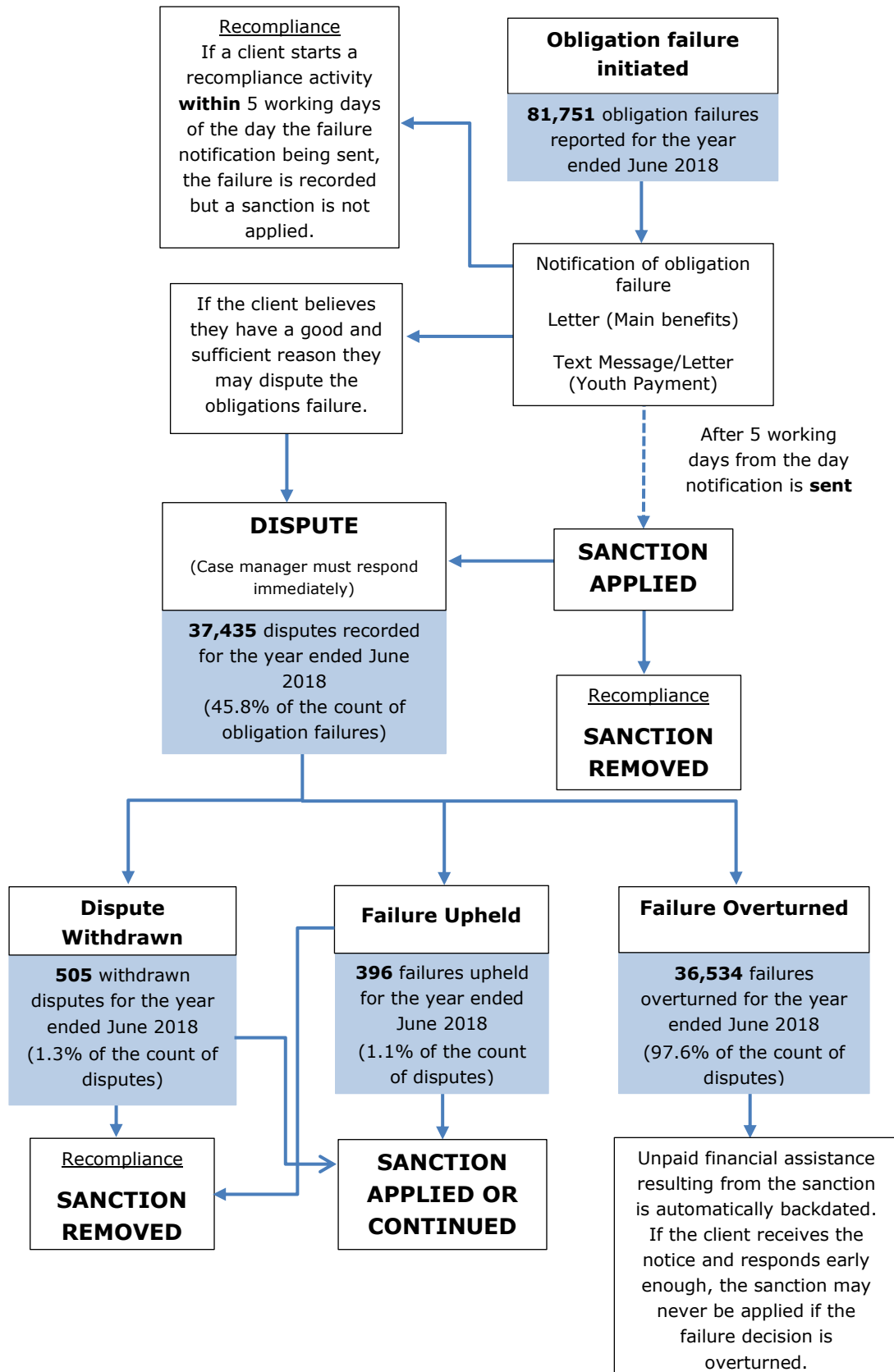
Note 2: Some offices were excluded from the analysis, due to either not having a large enough work-tested population of benefit recipients, or being a specialised office that caters to only a particular group of benefit recipients (e.g. the Canterbury Youth Service is excluded from these figures as this office only serves 18-24 year olds).



## After an obligation failure is imposed

Initiation of an obligation failure starts the process that can lead to a sanction being applied (Figure 26).

**Figure 26: The process flow from obligations failure initiation, counts for the year to June 2018**



Calculations of the rate at which obligation failures are disputed, and the rate at which disputes lead to an obligations failure being overturned, vary slightly depending on the method, timing and counts used. In Figure 26, we use counts of obligations failures, disputes, and failures overturned in the year to June 2018, to infer these rates. Slightly different rates would be obtained if, eg, rates were calculated by following a fixed set of obligation failure events in the year to June 2018 for a follow-up of 3 or 6 months.

In the year to June 2018, the count of disputes was 45.8% of the count of obligation failures (suggesting that the rate at which obligation failures were disputed was close to one in two). The count of obligations failures overturned was 97.6% of the count of disputes (suggesting that in virtually all cases, a dispute led to the obligations failure being overturned).

Across work obligations groupings, those with part-time work or work preparation obligations were more likely to dispute the failure. Where a dispute was made, the proportions of obligations failures overturned was similar across the groups (97-98%).

**Table 11: Obligation failures disputed as a percentage of obligation failures, and obligation failures overturned as a percentage of disputes, year to June 2018**

<b>Work Testable status</b>	<b>Total Number of obligation failures</b>	<b>Obligation failures disputed as a percentage of obligation failures</b>	<b>Failures overturned as a percentage of failures disputed</b>
<b>Full-time</b>	62,065	42.8%	97.5%
<b>Part-time</b>	14,479	55.9%	97.9%
<b>Work preparation</b>	5,200	53.5%	97.3%
<b>Total*</b>	81,751	45.8%	97.6%

\* Total includes 7 failures recorded as applying to non-work tested.

The primary reason for an obligation failure that resulted in an overturned decision was a client failing to attend a work-focussed appointment, comprising of 65.6% of the total obligation failures that were overturned.

**Table 12: Proportion of obligation failures disputed and proportion of disputes where failure overturned, by reason for failure, year to June 2018**

<b>Reason for failure</b>	<b>Percentage of disputes</b>	<b>Percentage of obligation failures overturned</b>
Attend work-focussed appointment	65.5%	65.6%
Comply with JSA Step	11.8%	11.9%
Undertake activity as directed	7.6%	7.6%
Prepare for work	4.5%	4.4%
Complete Referral	3.8%	3.8%
Actively participate in activity	3.5%	3.4%
Available/reasonable steps for employment	1.8%	1.8%
Complete Participation	0.6%	0.6%
Accept Paid Employment	0.3%	0.3%

Complete Appointment	0.2%	0.2%
Engage with Work and Income	0.2%	0.2%
Meet drug test obligations	0.1%	0.1%
Engage with Service Provider	0.1%	0.1%
Participate in education	0.0%	0.0%
Meet on-going budget requirements	0.0%	0.0%
Undertake Assessment for Work Ability	0.0%	0.0%
Meet External Contract Management Obligations	0.0%	0.0%
Attend approved budget programme	0.0%	0.0%
Make Contact as Required	0.0%	0.0%
Meet parenting obligations	0.0%	0.0%
Provide a clean drug test	0.0%	0.0%
<b>Total</b>	100.0%	100.0%

'Other good and sufficient reasons' are recorded as the primary explanation (69.3%) for overturned failures. The various reasons for overturned obligation failures are recorded in table 13 below.

**Table 13: Proportion of obligation failures overturned by reason overturned, year to June 2018**

<b>Reason Overturned</b>	<b>Percentage of obligation failures overturned</b>
Other good and sufficient reason	69.3%
Change in capacity to work	17.2%
Death or illness in the immediate family	4.6%
Transport arrangements fell through	1.6%
Existing health condition/ disability	1.5%
In hospital	1.0%
Childcare arrangements fell through	1.0%
Emergency or adverse event	0.8%
Not assisted by Work and Income	0.7%
Family violence	0.3%
Consented to retest failure	0.0%
Awaiting treatment	0.0%
Needs help to stop	0.0%
Employment conditions changed	0.0%
Not assisted by Work and Income or	0.0%
Transport no longer available	0.0%
MoE truancy prosecution	0.0%
Taking prescription medication	0.0%
Unspecified	2.1%
Total	100%
<b>Total Overturned</b>	<b>36,534</b>

The Ministry of Social Development is developing a new process that will apply after a potential obligation failure is identified. The process will involve additional steps to consider whether clients have good and sufficient reasons for not meeting their obligations before an obligation failure is initiated. It is expected that the new process will reduce obligation failures, associated 'recompliance appointments', disputed decisions, obligation failure related complaints, reviews and appeals, and the number of sanctions being applied. Detailed design work needs to get underway before the new process can be approved and implemented.

In addition to the process changes that are under development, further work could be done to investigate ways to prevent obligation failures from occurring, and reduce the use of sanctions. This could include exploring the use of text messaging and other mechanisms for reminding clients of scheduled appointments, and applying behavioural insights to make meeting obligations attractive to clients, and experienced as useful. Trials may be a useful mechanism for testing which approaches are the most effective.

Further research could be undertaken to explore the incidence of sanctions, and track the impact of changes in processes and policy. This research would be strengthened if information on sanctions was made available to researchers in the Statistics New Zealand Integrated Data Infrastructure, as this would allow investigation of effects on employment, incomes and wider outcomes for clients and their children. An application to include these data in the Integrated Data Infrastructure has been made.

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