

# Delivering better public services

**BETTER PUBLIC SERVICES RESULT 1**

**REDUCING LONG-TERM WELFARE DEPENDENCE**

**RESULT ACTION PLAN**

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Published June 2017

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ISBN: 978-0-947513-80-1 (print)

ISBN: 978-0-947513-81-8 (online)

# Minister's foreword

This Government's aim is for a prosperous New Zealand that creates opportunities for all New Zealanders to lead independent and successful lives. We believe employment provides the means for people to create a better life for themselves and their families/whānau, which is why we are committed to reducing welfare dependence.

We have made good progress, with the number of beneficiaries now at its lowest level since 2007. Sole parents and registered jobseekers have had the greatest success in entering the workforce.

However, we still have work to do. This is why we have set a target to reduce the number of working-age people on benefits by 25% and achieve an accumulated actuarial release of \$13 billion by June 2018.

Over \$7 billion a year is spent on benefits for working-age people, and more than 112,000 New Zealanders have spent at least five of the last 10 years on a benefit. Being out of paid work and on a benefit long-term can lead to poverty, social isolation and deteriorating overall health.

Children growing up in benefit dependent homes are more likely to experience negative outcomes, such as poorer educational achievement and ending up on a benefit themselves. This is why a large focus for us is on tackling intergenerational welfare dependency.

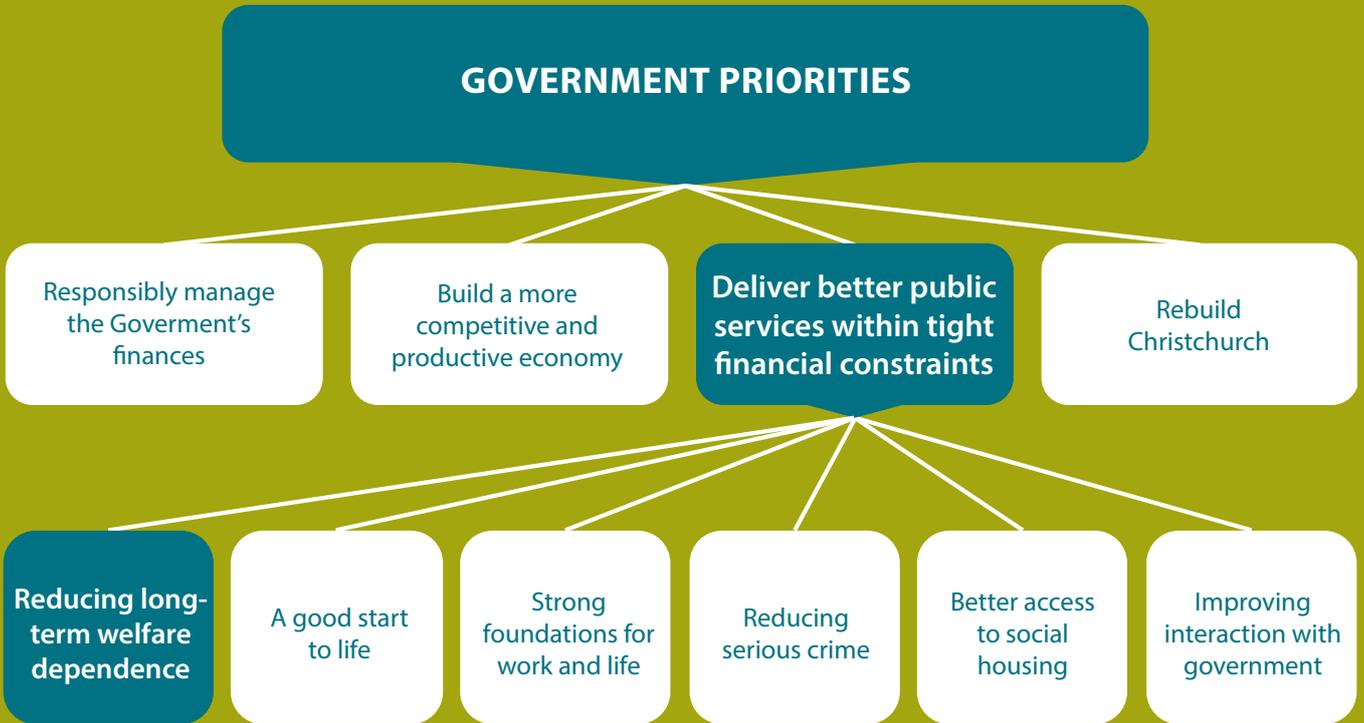
To reduce welfare dependence we have to provide the right social services to the right people. Young people, people with a health condition or disability, and Māori are more likely to be at risk of long-term benefit dependence. It is important we help these people into work quickly and provide intensive support to those facing significant barriers to employment.

Adopting a social investment approach to reducing long-term welfare dependence will help more people and families live independent lives and reduce the overall costs for taxpayers. This is a good outcome for all New Zealanders.



**Hon Anne Tolley**  
Minister for Social Development

# REDUCING LONG-TERM WELFARE DEPENDENCE



**Target**

**REDUCING LONG-TERM WELFARE DEPENDENCE**

Reduce working-age client number by 25% to 220,000 from 295,000 as at June 2014, and achieve an accumulated actuarial release of \$13 billion by June 2018

**Supporting Measures**

- Reduce the number of children in benefit dependent households
- Increase the number of exits for health and disability clients
- Reduce the number of people under 20 years old receiving benefits

**Outcomes**

- Fewer clients are reliant on welfare
- Fewer clients require a benefit long-term

**Actions**

- Invest in known effective employment interventions for high-liability clients
- Trial new interventions where there are no known effective interventions for high-liability clients
- Improve business-as-usual activities

# Why a reduction in welfare dependence is important to New Zealanders

The goal of reducing long-term welfare dependence is to support people to have paid work to improve their lives. Higher participation in the labour market also supports economic growth which has wider benefits for New Zealanders.

A number of people only receive a benefit for a short period of time and move into work or training with little or no support from the Ministry of Social Development. However, there are others who require more support to participate in the workforce and as a result are often missing out on opportunities to better their lives, and those of their families/whānau.

More than 112,000 New Zealanders have spent at least five of the last 10 years on a benefit. Being out of paid work and on a benefit for extended periods can lead to poverty, social isolation and deteriorating overall health. There can also be negative impacts for the children of people on benefit long-term, who can miss out on opportunities that other children enjoy, partly due to lack of income. There is also a growing trend of intergenerational clients.

**Reducing long-term welfare dependence supports people to enter and sustain employment and improve their lives.**

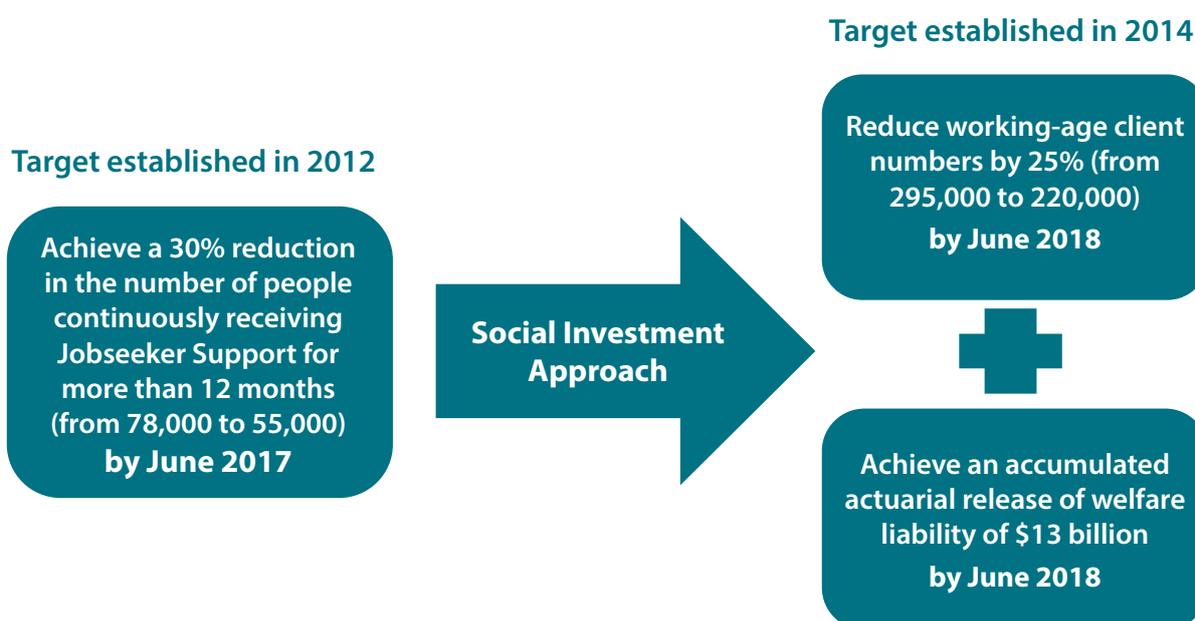
The cost of paying benefits to working-age people is over \$7 billion a year. The financial cost alone is concerning, but it is only a portion of the entire economic and social cost to New Zealand caused by lost labour productivity and the negative social impacts of people being out of work and on welfare.

## **We want to reduce working-age client numbers by 25% (from 295,000 to 220,000) and achieve an accumulated actuarial release of welfare liability of \$13 billion by June 2018.**

In December 2014, Cabinet updated the Better Public Services target to reduce long-term welfare dependence (Result 1) to better take into account the social investment approach.

The social investment approach identified that the previous Result 1 target only incorporated a small part of the future liability, because it only referred to the

number of clients dependent on welfare. The target for Better Public Services Result 1 now combines both a 25% reduction in working-age client numbers on benefit and an accumulated actuarial release of \$13 billion by June 2018. This dual-target approach encourages the Government to focus on a range of clients (both those closer and further from employment) in order to achieve both targets.



Social investment is about improving the lives of New Zealanders by applying rigorous and evidence-based investment practices to social services. It means using information and technology to better understand the people who need public services and what works, and then adjusting services accordingly. What is learnt through this process informs the next set of investment decisions.

Much of the focus is on early investment to achieve better long-term results for people and helping them to become more independent. This reduces the number of New Zealanders relying on social services and subsequently the overall costs for taxpayers.

# What we have achieved so far

Since the Better Public Services targets were set in 2012 (and refreshed for Result 1 in December 2014) we have made good progress in reducing welfare dependence. It is important to consider the reduction in welfare dependence not purely as a total number but also as a percentage of the total population, as it shows any reductions in the wider context of New Zealand, and is less subject to skewing due to population changes.

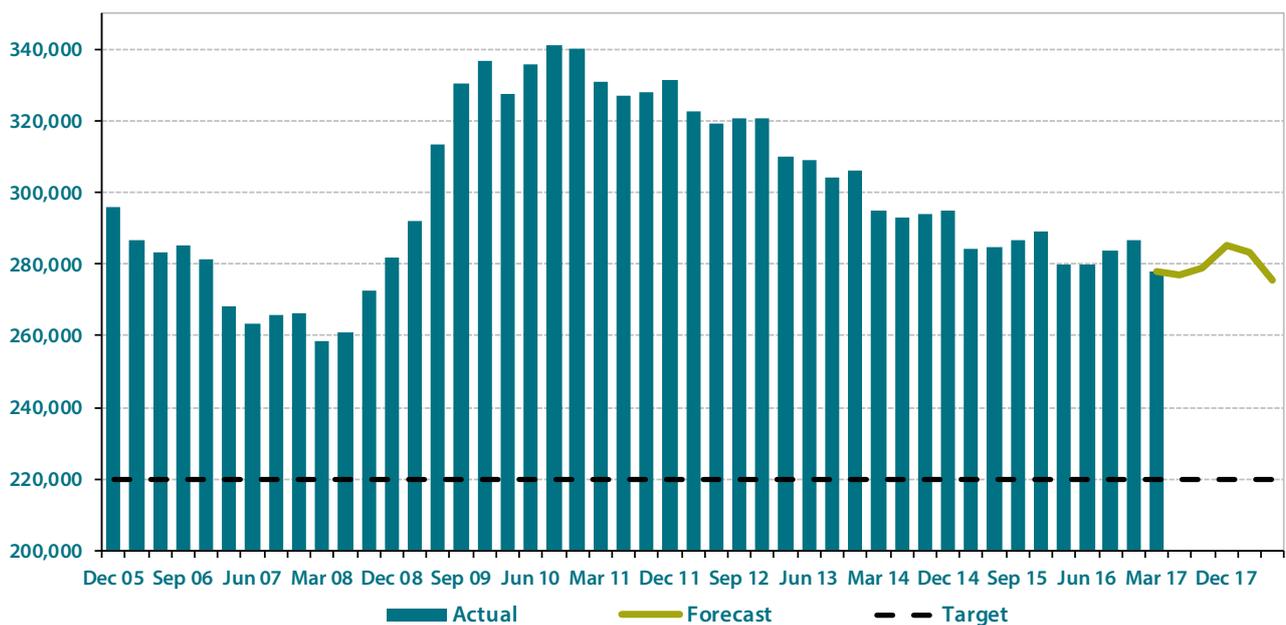
Currently the proportion of the working-age population dependent on welfare is the lowest since 2007 and the number of beneficiaries is at the lowest level it has been since December 2008.

Client Count Target as a Percentage of Estimated Working-age Population



Source: Ministry of Social Development

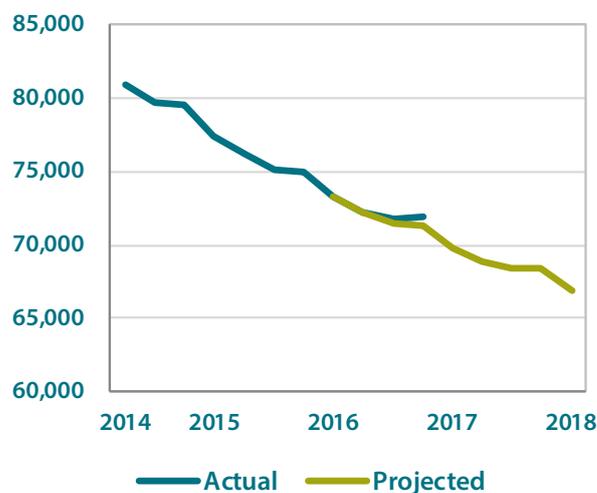
Client Number Target - Progress to Target 2005-2018



Source: Ministry of Social Development

The greatest reduction in welfare dependence has been by sole parents (receiving Sole Parent Support). Initial reductions have been linked to the welfare reforms introduced progressively from 2012, the introduction of more intensive case management, and greater access to employment and training-related supports.

### Total number receiving Sole Parent Support



Source: Ministry of Social Development

In late 2014, the target for Better Public Services Result 1 was expanded to include a target relating to reduction of the long-term cost of benefit dependence: to achieve an accumulated actuarial release of \$13 billion by June 2018.

The accumulated actuarial release for the period from 30 June 2014 to March 2017 is \$4.7 billion. Welfare reform policy and operational changes have made significant progress towards the Better Public Services Result 1, with the number of beneficiaries falling to the lowest level in eight years. Furthermore, the welfare system's estimated future cost has reduced by \$12 billion since the Better Public Services targets were introduced in 2012.

The beneficiary count and actuarial release forecasts are sensitive to economic conditions, population and demographic changes, and Ministry of Social Development's performance in supporting clients into sustainable employment.

### Actuarial Release Target - Progress to Target 2014-2018



Source: Ministry of Social Development

# Our strategic plan

In order to achieve the Better Public Service Result 1 targets, we need the number of main benefit clients to reduce by approximately 58,000 and the mix of clients to be such that the actuarial release increases by a further \$8.3 billion.

The Government will use actuarial modelling to group Ministry of Social Development clients into cohorts with similar characteristics, patterns of service use and needs, in order to enable an assessment of the future levels of benefit receipt and the long-term cost of different segments in the benefit population. This type of analysis has improved the Ministry of Social Development's understanding of the drivers of long-term welfare dependence such as the age of client entry, client education and skill levels, other demographics and prior patterns of benefit receipt.

By understanding different client cohorts, the Government can also identify the links a particular cohort has with other services (e.g. Health, Corrections or Education) and is then able to develop a cross-agency intervention which is specifically targeted to a client's particular circumstances. This approach enables the use of effective interventions to provide a reduction in welfare dependence and an increase to the actuarial release gained. It may also support gains across other

**In collaboration with other agencies and key partners we will use a social investment approach to understand who, how and when we should target certain clients.**

Better Public Services Results.

To support and strengthen the work with these clients, the Government will also continue to work with employers to enhance employment opportunities through developing and implementing an employer strategy. The employer strategy uses an analytical approach to source the right employment opportunities for our client population to enable sustainable outcomes. The Ministry of Social Development will also look to build on the outcome focused relationships that have been forged with employers and sector groups that can keep job seekers in work and reduce the amount of time that people would spend receiving welfare benefits.

# WHO ARE WE INVESTING IN?

Along with sole parents, we have identified four key groups in the working-age population to invest in:



The current interventions are working well for sole parents and jobseekers, so now we are shifting our focus to other key client groups by:

- Focusing on early entrants to the benefit system to better support young people and other at-risk groups
- Supporting people into work quickly to limit the risk of long-term benefit dependence, and
- Providing intensive support for people who have significant barriers to work and are at risk of long-term benefit dependence.

# What we are doing



## We will invest in known effective employment interventions for high-liability clients

We will utilise existing information and expertise to reduce welfare dependence

## OUR KEY ACTIONS:

Provide more support and intervene earlier with people who have significant barriers to employment, to get them off benefit and into work

Increase the use of contracted services with an emphasis on purchasing for results

Tailored responses to work-focused support for different client groups

Target resources to groups we know are at most risk of long-term benefit dependence

## We will trial new interventions where there are no known effective interventions

These trials aim to expose new and innovative ways to help clients become more independent

### SOME OF OUR CURRENT TRIALS INCLUDE:

#### Oranga Mahi

A collaboration between the health and social sector to provide more support to people with a health condition or disability, to return to work

*Developed in conjunction with District Health Boards*

#### Support ex-offenders into employment trials

This trial aims to work with prisoners prior to release to help into employment upon release to help reduce benefit dependence and reoffending.

*Developed in partnership with the Department of Corrections (cross-over between Result 7 and Result 1)*

#### Intensive client support trial

Provides a more intensive case management service to clients who first entered the benefit system before the age of 20, and who have become 'entrenched' in the system

Use of strong evaluation design and knowledge systems to assess what we do and monitor impacts

## We will continue to improve business-as-usual activities

In order to build on current momentum and expertise

### OUR KEY ACTIONS:

Continue to transform online services through initiatives such as the Simplification project

Use of an enhanced work-focused case management approach for clients identified as being at risk of long-term welfare dependence

Work with the Māori Innovation Reference Group to develop a Māori Investment Plan in order to better understand Māori clients which will help us to develop and test new and innovative approaches to support Māori to independence

Targeting Multi Category Appropriation spend to priority cohorts and sharing best practice to improve performance outcomes for these priority cohorts. This focus on priority cohorts is supported by monitoring outcomes at a provider and contract level to ensure value for money.

Work with employers and industry to identify more employment opportunities for clients identified as being at risk of long-term welfare dependence

Case management performance monitoring will enable the Ministry of Social Development to identify areas to lift performance.

# Working together to achieve results

Long-term welfare dependence is not just about the welfare system. It is driven by many factors that can be related to personal circumstances, the labour market and the wider economy, the education and training system, and the health system.

Reducing long-term welfare dependence requires an integrated cross-agency approach that addresses the causes of long-term welfare dependence. This will be combined with introducing stronger support for working-age clients who have been out of work for a long time.

Reducing long-term welfare dependence is closely linked with other Better Public Services Results, including:

- A good start to life (Results 2 and 3)
- Strong foundations for work and life (Results 5 and 6)
- Reduce serious crime (Result 7)
- Better access to housing (Result 8), and
- People have easy access to public services (Result 10).

The Chief Executive of the Ministry of Social Development is the lead Chief Executive for Better Public Services Result 1. In many cases, the Ministry of Social Development has clients in common with other agencies such as the Ministry of Health, Department of Corrections and the Ministry of Education, and will continue to collaborate and share data with these agencies to trial and find effective interventions to respond to longstanding problems.

The Ministry of Social Development will continue to utilise cross-agency forums and officials' groups to continue the gains towards the Better Public Services Results, including reducing long-term welfare dependence.

The Ministry of Social Development will also continue to build on its growing relationships with non-government organisations to share information and utilise existing skills and experience effectively.

# Measuring success

The Ministry of Social Development already has a good understanding of the key drivers of liability through annual actuarial valuations of the welfare system.

To understand the nature of our progress towards the targets for reduction of welfare dependence by June 2018, we will monitor the following supporting measures:

- reductions in the number of children in benefit-dependent households
- increases in the number of exits for health and disability clients, and
- reductions in the number of people under 20 years old receiving benefits.

The Ministry of Social Development will work in partnership with iwi/Māori organisations and other government agencies to address the underlying causes of Māori being over-represented in the benefit population.

## SUPPORTING MEASURES

**Reduction in the number of children in benefit-dependent households**

Intergenerational benefit dependence is a key factor in long-term benefit receipt. Addressing this will be a key focus across a number of agencies. This supporting measure focuses on the next generation of the working-age population and their increased risk of benefit-dependence as adults.

**Increases in the number of exits for health and disability clients**

169,000 Ministry of Social Development clients receive a benefit due to a health condition, injury or disability. Disabled people or people with health conditions often have poor employment outcomes when compared to people without these challenges.

**Reduction in the number of people under 20 years old receiving benefits**

Young people have been a key strategic focus for a number of years, reflecting that three-quarters of the benefit system liability relates to clients who first entered the benefit system before the age of 20. The focus of this supporting measure is on clients with family benefit history. About 80% of clients aged under 20 were supported in childhood by parents on a benefit.

We will also continue to monitor our progress against the high-level targets to reduce working-age client numbers by 25% (from 295,000 to 220,000) and reduce long-term welfare dependence (measured by an accumulated actuarial release) of \$13 billion by June 2018.

Results will be updated every six months on the State Services Commission website.



