



Prepared for the Welfare Expert Advisory Group

Obligations and Sanctions Rapid Evidence Review Paper 5: The 52-Week Reapplication for Sole Parent Support and Benefit Cancellations

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Executive summary

This rapid review summarises the limited available evidence on the 52-week reapplication process which has applied to Sole Parent Support (SPS) clients since April 2016.

This process requires all SPS clients to reapply for their benefit and complete a Comprehensive Work Assessment every 52 weeks (such a process has applied to unemployment-related benefit recipients since October 2010).

Prior to April 2016, an annual review process applied, but did not include a full reapplication process, or specified requirements for cancellation of benefit.

The introduction of the 52-week reapplication process in 2016 was associated with an increase in the rate at which SPS benefits were cancelled.

An evaluation that looked at the impact of the 52-week reapplication process when it was introduced for unemployment-related benefits estimated that it reduced the time that affected clients spent on benefit by 41 days over a 21 month follow-up period, after taking into account a higher rate of returning to benefit among those affected by benefit cancellations at the time of the reapplication.

These results are consistent with international evidence which shows low-cost compliance activities, such as compulsory case manager interviews, increase benefit exits.

More New Zealand research could be done to examine effects on employment, income and other outcomes.

Current settings

Currently, all SPS clients must reapply for their benefit and complete a Comprehensive Work Assessment every 52 weeks in order to continue to receive their benefit. This requirement was introduced for SPS in April 2016. It had already applied to unemployment-related benefits since October 2010.

The 52-week reapplication process for SPS was intended to provide an opportunity to check people's eligibility, that they were getting the right support, and that they were fulfilling their obligations, including preparing for work and searching for a job.¹

¹ See <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/regulatory-impact-statements/ris-budget15-cmh-may15.pdf>

As part of the 52-week reapplication process, clients are automatically sent a letter 25 working days prior to the expiry date of their benefit advising them that they need to complete the 52-week reapplication process. The initial letter outlines to the client that:

- they must reapply on or before their expiry date if they still require their benefit
- in order to reapply they need to attend an appointment
- they will need to provide any supporting evidence to determine they are still eligible
- they will need to complete the reapplication online before they attend their appointment
- Disability Allowance may also be reviewed (if they are receiving it).

If a client has not yet completed the 52-week reapplication process a reminder letter is sent seven working days before the expiry date.

If a client does not complete the reapplication process on or before the expiry date, their benefit stops. There are limited situations where a client may complete the reapplication process after the expiry date and have their SPS resumed, these are:

- where a client makes contact to reapply on or just before their expiry date but the reapplication process cannot be completed by the expiry date through no fault of the client
- where a client has an exceptional circumstance that has affected their ability to reapply or contact Work and Income, on or before their expiry date.

In other cases, a client who does not complete the reapplication process on or before the expiry date and wishes to continue to receive SPS must make a new application for the benefit, and is subject to the commencement date rules that apply to a new applicant, including an initial stand-down period of one or two weeks.

See <https://www.workandincome.govt.nz/map/income-support/main-benefits/sole-parent-support/reapplication-process-at-52-weeks.html>

Prior to April 2016, an annual review process had applied to ensure that the client still met the qualifications for benefit, check for any changes to their circumstances, verify any income earned over the last 12 months, review the rate of benefit and supplementary assistance payable, and discuss work and work preparation obligations, if these applied. Annual review forms were issued automatically eight weeks before the expiry of the review year. Clients were generally interviewed as part of the process. This annual review did not include a full reapplication process, or specified requirements for cancellation of benefit. Benefit cancellations around the time of the 52-week reapplication

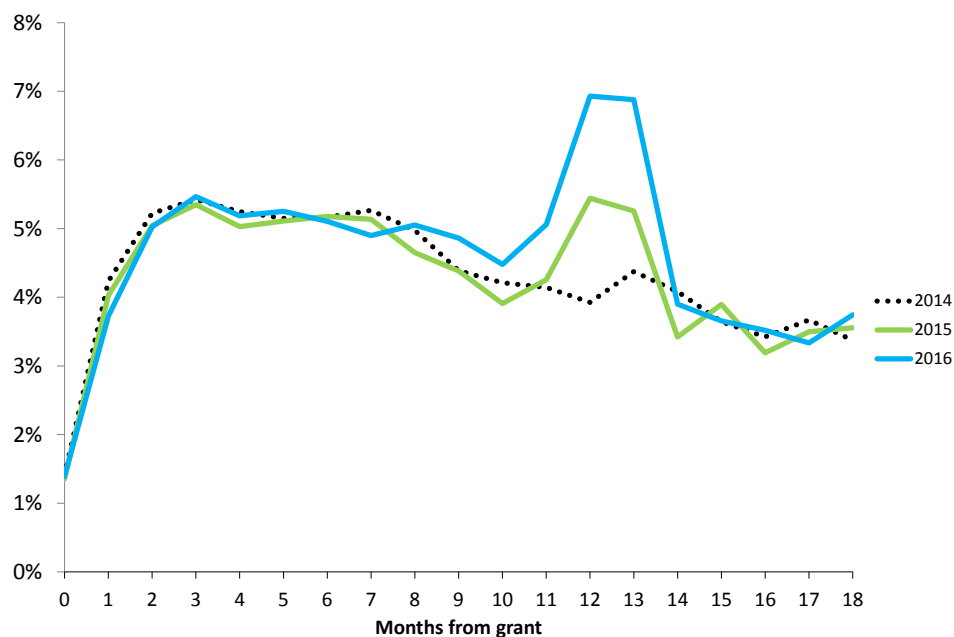
The introduction of the 52-week reapplication process in 2016 was associated with an increase in the rate at which SPS benefits were cancelled.

Figure 1 shows, for grants of SPS remaining in force up to a given number of months from the grant, the percentage cancelled in the next month.

The dotted line shows no marked peak in exit rates at around 12-13 months for benefits granted in 2014 (prior to the introduction of the 52-week reapplication), but higher rates at 12-13 months for grants in the following two years.

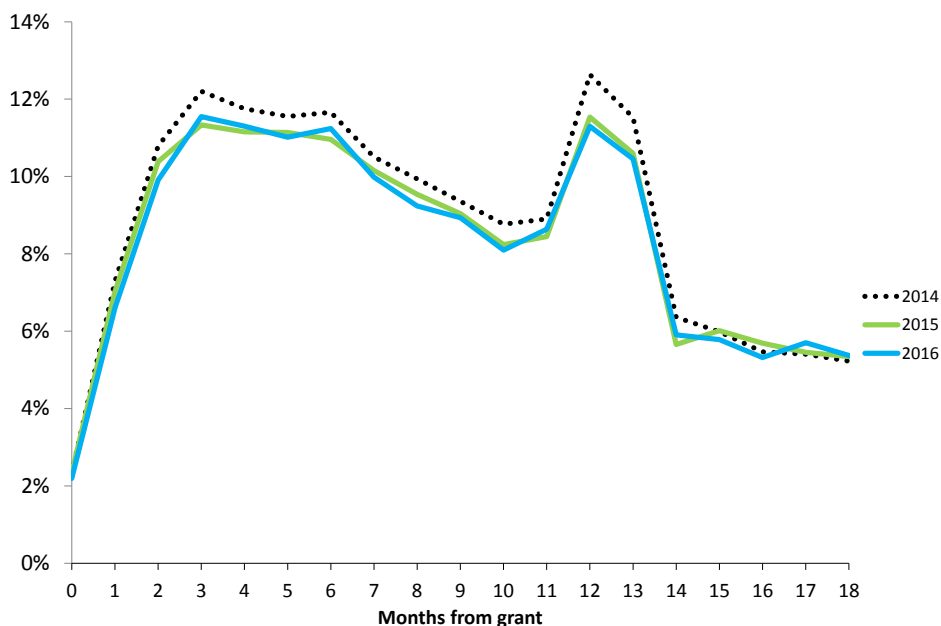
From this series, it is not possible to say whether some people whose SPS benefits were cancelled around the time of the 52-week reapplication were soon granted another benefit. Nor is it possible to say whether those whose benefits were cancelled moved into, or were already in, paid employment. These areas of uncertainty could be explored further using MSD and Integrated Data Infrastructure data.

Figure 1: Proportion of SPS benefits cancelled in a month for benefits remaining in force at monthly intervals from grant, grants in 2014, 2015 and 2016



Source: MSD Forecasting and Costing research data

Figure 2: Proportion of JS benefits cancelled in a month for benefits remaining in force at monthly intervals from grant, grants in 2014, 2015 and 2016



Source: MSD Forecasting and Costing research data

The peak in cancellation rates at 12-13 months has been apparent for Jobseeker Support (JS) across the period (Figure 2). An evaluation that looked at the impact of the 52-week reapplication process for unemployment-related benefits (MSD, 2013) estimated that it reduced the time that affected clients spent on benefit by 41 days over a 21 month follow-up period.

The impact was primarily through the automatic cancellation of benefits for non-attendance. At the anniversary of grant, there was a 21% fall in the number of clients on unemployment benefit. However, 16% of these automatically cancelled clients returned to benefit within 60 days, compared with 7% without the reapplication process. For this

reason, the impact of the reapplication process on the overall time on benefit took account of the impact on returning to benefit after exit as well as on exits from benefit.

The introduction of the reapplication was estimated to have reduced income support costs by \$9.84 for every dollar spent on the intervention, after taking into account increased returns to benefit and increased benefit administration costs (MSD, 2013). The evaluation did not examine effects on employment, income or other outcomes.

International evidence

The MSD (2013) evaluation provides a summary of international evidence on the effects of similar requirements in other countries.

“There is a growing body of evidence to show that compulsory case management activities like the 52-week reapplication process reduce benefit receipt. A number of studies have found that comparatively short job search programmes or compulsory interviews reduce the time clients spend on welfare or Unemployment Insurance in the US (Benus, Joesch, Johnson, & Klepinger, 1997; Black, Smith, Berger, & Noel, 2003), the UK (Dolton & O’Neill, 2002), Denmark (Toomet, 2008) and Australia (Borland & Tseng, 2003). However, the Australian study (Borland & Tseng, 2003) found that impacts are sensitive to local labour demand: the strategy had lower impacts for areas with higher unemployment rates.

Participating in planning processes also appears to reduce the time that job seekers spend on benefit in the UK (Corcoran, 2002), and Ireland (OECD, 2005). However, some care needs to be taken when interpreting the impacts — especially large impacts such as those observed from the UK Restart Programme (Dolton and O’Neill 2002) — as they may arise through subsequent assistance received by participants and not solely through activation by the planning process.

Impacts often occur before participation

The impact of these programmes comes about in large part because of the obligation to participate. People often exit benefit before starting the programme (the referral or compliance effect). On the other hand, there is less evidence that participating in the compulsory activities themselves improve participants’ employment outcomes (Black et al., 2003; Dolton & O’Neill, 2002; OECD, 2005).

Impacts may be short-term and exits are not always into employment

There is growing international evidence from studies tracking the longer-term impacts of activation measures that the early large impacts of activation programmes decrease over time (OECD, 2005). In several of the US welfare-to-work evaluations the initially higher impact of job search focused programmes decreased over time, while the impact of training plus job search showed better long-term results. However, these studies still conclude that work-first approaches are more cost-effective (Greenberg, Deitch, & Hamilton, 2009).

Activation strategies can encourage people to leave benefit but not necessarily into paid employment (Schoeni & Blank, 2000).

Do activation measures alter the quality of jobs?

Research is increasingly focusing on how reductions in the time looking for work alter the quality of work people targeted by activation measures enter into. At present the evidence is mixed, with several studies reporting no impact on job quality (Gaure, Røed, & Westlie, 2008) (van den Berg, Bergemann, & Caliendo, 2008), while others report negative impacts (OECD, 2005). Differences may in part reflect the degree of activation. Increasing the strength of activation may result in faster exits at the expense of suitability of the match. Quality of job matching is important as it not only affects the activated client, but also reduces the availability of suitable matches for other job seekers. The worst case would be having activation measures moving higher skilled jobseekers into low skilled jobs potentially generating skill shortages and limiting job openings for low skilled job seekers.” (MSD, 2013 p33.)

A more recent review of existing research in Maibom, Rosholm & Svarer (2017) finds that meetings with caseworkers have ex post effects (resulting from participating in the meeting) as well as ex ante effects (the referral or compliance effect resulting from being called to a meeting). The size and significance of the effects vary across studies, but effects are generally positive, and include positive effects on employment.

More New Zealand research could be done to examine effects on employment, income and other outcomes.

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