



Ministry of Social Development | Te Manatū Whakahiato Ora

TE PAE TAWHITI

Strategic assessment

11 November 2021



**KO TE PAE TAWHITI
WHĀIA KIA TATA,
KO TE PAE TATA
WHAKAMAUA KIA TINA.**

Seek out the distant horizons
While cherishing
Those achievements
At hand.

Attachment 1 - Te Pae Tawhiti Strategic Assessment

Whakataukī

*Unuhia te rito o te harakeke
Kei hea te kōmako e kō
Whakatairangitia, rere ki uta, rere ki tai;
Ui mai ki ahau,
He aha te mea nui o te ao?
Māku e kī atu,
He tangata, he tangata, he tangata*

*If you remove the central shoot of the flax bush
Where will the bellbird find rest?
Will it fly out to sea, or fly aimlessly?
If you were to ask me,
What is the most important thing in the world?
I will tell you,
It is people, it is people, it is people*

*We would like to acknowledge Te Rūnanga Nui o Te Aupōuri Trust
for their permission to use this whakataukī.*

Contents

Whakataukī	2
Introduction	4
• Government's vision for the welfare system	5
• Public Service Act (2020)	5
• All-of-government Strategy for a Digital Public Service	6
Strategic context.....	6
• Organisational overview	6
• Alignment to existing strategies	7
The case for change	10
Key stakeholders.....	10
• Engagement.....	10
• The drivers of change	10
• The problems	11
• The expected benefits.....	12
• Investment objectives	12
• Next steps.....	13
Appendix A – The drivers for change	14
• The world and New Zealand are changing	14

Introduction

The Ministry of Social Development (MSD) is New Zealand's lead agency for managing and delivering New Zealand's welfare system, assessing welfare needs, and providing employment, income support, student and superannuation services. We work with our partners to help people and communities participate in employment, education, and training; find sustainable housing; and to contribute positively to society.

We have undertaken this strategic assessment to clearly define and communicate the need to invest in our future through the Te Pae Tawhiti programme. This document represents a snapshot of our current thinking. We will iteratively develop and improve the story in a manner that aligns with our delivery approach during our business case journey. This approach will allow us to understand better what we need to do while reducing investment risks and increasing delivery certainty.

In 2019, the Welfare Expert Advisory Group (WEAG) stated that our "current welfare system is no longer fit for purpose and needs fundamental change"¹. The need for change can be best described in the following problem statements.

- *Our fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders.*
- *The high and increasing likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand.*
- *Our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship.*

As an organisation, we need to respond to the challenge that these problem statements represent and undertake significant change. We also see the need to change to operate in a way that is consistent with the Government's vision for welfare overhaul.

The demand for our services is significantly increasing with the changing social landscape. Our current system has its roots in the mid-twentieth century and is the product of years of incremental change. New Zealanders expect Government services that are responsive, mana-enhancing, and tailored to their needs; but our current system cannot operate this way.

We must move our thinking from a transactional benefits payment mentality to a person-centric approach in all that we do, where we empower our clients to choose how they want to engage, whether online or kanohi ki te kanohi—face-to-face. We need to infuse this through how we interact with clients, whānau, hapū, iwi, community and our public sector partners. This will require MSD to undergo a significant transformation journey. Based on overseas examples, it will take at least eight years.

We are already investing significant amounts in keeping the systems operational, but this investment is not achieving improved client outcomes. We can spend a little more, but spend it wiser, and build a new way of working that makes a real difference to client outcomes and transforms the client experience.

¹ See, [Whakamana Tāngata](#), WEAG, February 2019 p. 5.

We need to deliver a set of services that:

- are designed inclusively, with and responsive to, the changing needs of the community
- are tailored to the needs of clients and whānau
- are proactive instead of reactive
- are transparent and accountable
- are targeted to those most in need
- are data and insights-driven, with user, performance, policy and wellbeing measures
- are agile to future policy and legislative needs
- are accessible, consistent and have a compelling user experience across all access channels
- are efficient and free up time for our staff from administrative tasks to focus more on clients and whānau
- increase staff, client and whānau satisfaction.

The programme scope is to transform MSD's processes, systems, and capabilities to become a more flexible and responsive organisation that can implement the Government's welfare overhaul. Without significant investment, we cannot effectively change nor deliver quality services that our clients need, and that New Zealanders expect. To support this change, our next step is to develop a programme business case for Cabinet to consider in March 2022.

Government's vision for the welfare system

The Government's vision for the welfare system is to ensure people have an adequate income and standard of living, are treated with and can live in dignity, and participate meaningfully in their communities². The Government has developed a comprehensive work programme to build a welfare system consistent with the vision of enabling 'whakamana tāngata' – restoring people's dignity.

The Government's election manifesto committed to "modernising our welfare system, so all New Zealanders can live with dignity and contribute meaningfully to their communities"³. This involves:

- Continuing the culture change at Work and Income to improve people's experiences and ensure that they are treated with kindness.
- Focus on expanding employment support and services for New Zealanders who are out of work to upskill, train and re-enter the labour market.
- Continue the Welfare Overhaul work programme and work towards implementing the recommendations of the Welfare Expert Advisory Group.

Public Service Act (2020)

The new Public Service Act 2020 (the Act) supports a constitutional and democratic Government and enables Government to develop and implement high-quality and

² See CAB-19-MIN-0578 / SWC-19-MIN-0168 (11 November 2019), para 16.

³ *Labour Manifesto 2020* https://www.labour.org.nz/news-labour_2020_manifesto

efficient public services. The Act recognises the need for establishing better ways of working that suit a modern, collaborative and outcomes focused public service.

The Act has created many opportunities as a lever for systemic change. The Government is committed to improving services and outcomes for Māori with section 14 of the Act explicitly recognising the role of the public service to support the Crown in its relationships with Māori under Te Tiriti o Waitangi.

The Act recognises the need for establishing better ways of engaging with Māori and understanding Māori perspectives — the Te Pae Tawhiti programme provides that opportunity for MSD. Te Pae Tawhiti transformation programme will deliver a service model that is tailored to the needs of clients and whānau, is proactive, transparent, and accountable, is efficient so we can focus on our clients and whānau. Te Pae Tawhiti will deliver a collaborative, modern and outcomes-driven organisation that the Public Service Act 2020 aspires to achieve.

All-of-government Strategy for a Digital Public Service

The all-of-government Strategy for a Digital Public Service aims to deliver four key outcomes for the benefit of all New Zealanders:

- Deliver better results for New Zealand.
- Improve New Zealanders' experience with Government.
- Realise a modern, agile, and adaptive public service.
- Strengthen the Māori Crown relationship.

Investment in Te Pae Tawhiti will ensure that we provide digital services that align with the Government's strategy, are agile and adaptive to changing demands, and provide the best digital experience to New Zealanders. We seek to deliver on all four of the Strategy's outcomes, supporting the priority focus areas of *integrated services for people and business, foundations, and new ways of working*⁴.

Strategic context

Organisational overview

Manaaki tangata, Manaaki whānau – we help New Zealanders to be safe, strong and independent.

Our role in supporting New Zealanders

Helping people, whānau, families and communities is at the centre of what we do. The Ministry of Social Development works to contribute positively to the wellbeing of people today and into the future. From the services we deliver to the policy advice we give; we strive to keep improving so we can help each generation of New Zealanders build the capabilities they need to contribute positively to society.

We help people in all sorts of ways. Whatever the situation, we try our best to understand and connect people with all the support we can. We seek to do this with

⁴ See the Strategy for a Digital Public Service <https://www.digital.govt.nz/digital-government/strategy/strategy-summary/strategy-for-a-digital-public-service/>

integrity and compassion, driven by our purpose to help New Zealanders be safe, strong and independent.

More than a million people contact us each year. Some require financial support to alleviate poverty and hardship while others seek services to help re-enter the workforce. They may be a disabled person seeking temporary or ongoing assistance to lead an independent life with dignity, a family dealing with violence, a person needing a safe, warm and dry home, a student seeking support, a parent needing help with the costs of childcare, or an older New Zealander applying for superannuation.



Our work is not done alone. We partner with many different agencies, organisations and community groups who have the right connections and expertise to make a lasting difference in people’s lives.

We are committed Crown partner to Te Tiriti o Waitangi, and we have an obligation to improve outcomes for Māori and work effectively in partnership with Māori.

Alignment to existing strategies

Government is committed to overhauling the welfare system

In 2017, the Government identified the need to overhaul the welfare system. It established the Welfare Expert Advisory Group (WEAG) and agreed on a work programme to implement the WEAG’s recommendations. MSD has identified changes to our operating model to support this through our strategic direction, *Te Pae Tawhiti — Our Future*.

WEAG reported that the welfare system is "badly in need of repair and no longer fit for the needs of New Zealand in the 21st century"⁵. Furthermore, "We cannot solve the existing problems, let alone create a system that will serve future needs, through further

⁵ See, [Whakamana Tāngata](#), WEAG, February 2019 p. 33

ad-hoc amendments or marginal changes". MSD does not currently have sufficient capability nor a sufficiently adaptive operating model to deliver and continuously improve services to an increasingly diverse range of clients and their needs.

At the same time, the fast pace of demographic, social, economic, and technological change is influencing social issues in New Zealand. Ultimately, we cannot make a meaningful difference in people's lives without significant changes across our operating and service models.

The Government response to the WEAG report has been substantial, and significant progress has been made on improving income adequacy and removing of punitive obligations and sanctions. The Government endorsed a future state for the welfare system that:

- is "underpinned by values relevant for New Zealand;
- enables individuals, families and whānau to thrive;
- adequately supports employment and training;
- recognises the value of unpaid work, such as caring and volunteering;
- takes a whole-of-community approach to working with partners;"⁶

On 6 November 2019, the Cabinet Social Wellbeing Committee, "noted that alongside Welfare Overhaul, the Ministry of Social Development is developing the Te Pae Tawhiti investment case to help guide long-term investment and planning"⁷.

Our strategic direction

MSD seeks to achieve three outcomes which align with Government's vision for the welfare system, drive us to change the way we work and deliver to our purpose:

- New Zealanders get the support they require.
- New Zealanders are resilient and live in inclusive and supportive communities.
- New Zealanders participate positively in society and reach their potential.

Te Pae Tawhiti – Our Future, presents our strategic direction and sets out the three shifts we need to make across our organisation in all of our work to achieve these outcomes:

- ***Mana manaaki*** – *a positive experience every time* — working towards a service model that puts clients and whānau at the center of everything we do
- ***Kotahitanga*** – *partnering for greater impact* — designing a system that gives our partners the information and support they need to deliver better outcomes for whānau and communities
- ***Kia takatū tātou*** – *supporting long-term social and economic development* — building a sustainable and resilient welfare system; working with people and whānau earlier so they can achieve and sustain their goals.

⁶ See, SWC-19-MIN-0168 (11 November 2019), para 4

⁷ See, SWC-19-MIN-0168 (11 November 2019), para 10

Te Pae Tawhiti – Our Future



Our aim is to become a trusted and proactive organisation, connecting clients to all the support and services that are right for them, to improve the social and economic wellbeing of New Zealanders. To achieve this aim we are focusing on three key shifts:

Mana manaaki

A positive experience
every time



Kotahitanga

Partnering for greater
impact



Kia takatū tātou

Supporting long-term social
and economic development



Our strategic shifts all connect to the harakeke reflected in our whakataukī.

*Unuhia te rito o te harakeke
Kei hea te kōmako e kō?
Whakatairangitia, rere ki uta, rere ki tai;
Ui mai ki ahau,
He aha te mea nui o te ao?
Māku e kī atu,
He tangata, he tangata, he tangata*

*If you remove the central shoot of the flax bush
Where will the bellbird find rest?
Will it fly out to sea, or fly aimlessly?
If you were to ask me,
What is the most important thing in the world?
I will tell you,
It is people, it is people, it is people*

Te Pae Tawhiti – Our Future is supported *Te Pae Tata* and *Pacific Prosperity*, which embrace the three shifts set out in *Te Pae Tawhiti – Our Future* and describe how they will be realised for Māori and Pacific peoples.

Te Pae Tata: Te Rautaki Māori me te Mahere Mahi, aims to embed a Māori world view into our organisation that will honour our commitment as a Tiriti o Waitangi partner and prioritise the needs of whānau.

Te Pae Tata's vision is: Whānau are strong, safe and prosperous – active within their community, living with a clear sense of identity and cultural integrity, and with control over their destiny – Te mana kaha o te whānau!

"*Te Pae Tata* embodies a voyage of transformation. It seeks to empower Māori to be self-determining. This vision is also the vision for *E Tū Whānau*, a movement for positive change that was developed by Māori for Māori, in partnership with the Ministry."⁸

Pacific Prosperity: Our People, Our Solutions, Our Future, aims to rejuvenate the Ministry's delivery and engagement of services for Pacific peoples, families, and communities, so they are safe, thrive and flourish in New Zealand.

We need to do more to achieve equitable outcomes for Pacific peoples. Pacific Prosperity's vision is for Pacific peoples to thrive and flourish and has strong alignment with *Te Pae Tawhiti*.

Te Pae Tawhiti – Our Future, *Te Pae Tata*, and *Pacific Prosperity* will continue to shape and guide our work as we continue this investment journey. This strategic assessment outlines the need for investment for us to make the three key shifts set out in *Te Pae Tawhiti – Our Future*, and achieve better outcomes for all New Zealanders.

⁸ See, [Te Pae Tata](#), p. 7

The case for change

Key stakeholders

We need to help every stakeholder understand the reasons underpinning the change; what needs to be undertaken and completed successfully for the change to be effective and enduring; and how the change will be practically implemented. Broadly our stakeholders can be grouped as follows:

- *Ministers and Government agencies* – Engagement with these groups is high while we move through the strategic assessment and business case/budget bid processes. The current messaging is focused around the case for change and the need to invest in our future. Later the messaging will change to how this will be implemented and delivered, and the funding required.
- *Our partners and communities* – Our partner agencies and communities are a key stakeholder group. We will engage with these groups, in particular the Māori and Pacific reference groups as well as the Iwi groups that we work alongside.
- *Our clients* – Our clients are a key stakeholder group, but they are unlikely to need specific communications over the next 12 months. We will need client input to the early stages of design, and as we move into delivery and implementation, engagement with our clients will be extensive and targeted.
- *Our staff* – Over the next 12 months we will focus on the 'why' we are taking this journey and some of the things we are working on now to get there. This approach is about inviting people to be part of the change journey; it is not about telling people where they should go or how they should get there. We will also involve some staff in the design process over the coming 12 months.

A two-way dialogue with each of these groups is critical to ensure the programme progresses in the right direction.

A detailed stakeholder matrix and management plan will be developed before starting the programme business case.

Engagement

Since 2018, we engaged with a wide range of key stakeholders to help identify the challenges, potential benefits, and vision for delivering Te Pae Tawhiti programme. This engagement has informed the case for change which is set out in this strategic assessment.

The drivers of change

The engagement identified several evidence-based drivers for change. A series of facilitated workshops were held in June 2021 with key stakeholders to refine drivers as listed below.

Appendix A describes these in more detail including the evidence to support these drivers.

Demand driver 1 – inequity of outcomes: Māori and Pacific peoples are accessing welfare services at a disproportionate rate to the population as a whole. In addition, MSD’s service approach needs to be more tailored to the cultural context of Māori or Pacific peoples.

Demand driver 2 – inconsistently meeting client needs: there is a persistent, increasing group of people with multiple needs including chronic health conditions (particularly mental health problems and addiction), disabilities, generational welfare dependency and children growing up in poverty, housing instability, including homelessness. These needs are in addition to the need for financial support and employment.

Demand driver 3 – critical risk of technology failure: there is a growing technology failure risk due to MSD’s ageing and end-of-life systems. These systems are difficult and expensive to maintain, and to protect from emerging threats to system and data security.

Demand driver 4 – not meeting client expectations: people have different expectations around how they interact with and receive services from the Government. MSD does not have fit-for-purpose online services to allow people to choose how they interact, and specifically for those people who only want to interact online.

Demand driver 5 – lack of agility in implementing policy change: MSD will continue to be required to implement legislative and policy change and our current technology and processes makes this extremely complex and expensive.

Demand driver 6 – changing demographics: there will be a significant increase in ethnic diversity as well as an increase in the proportion of older people and disabled people in the population. Family structures will continue to change and become more diverse, and MSD’s services will need to be tailored to increasingly varied circumstances for clients and whānau.

Demand driver 7 – changing labour market: technological change, climate change, recessions and other large-scale changes will continue to shape the amount and type of work available. The pace and scale of change is uncertain. The impacts are likely to be uneven, impacting low and semi-skilled workers and some industries and communities more than others – which will likely result in a greater impact on Māori and Pacific peoples.

The problems

In June 2021, MSD held facilitated workshops with key stakeholders to define, based on the above demand drivers, the problems MSD is facing, and the potential benefits if these problems were addressed. The problem statements are listed below:

1. *Client outcomes: Our fragmented, transactionally focused service approach will not meet the future needs and expectations of New Zealanders.*
2. *Risk of service failure: The high and increasingly likelihood of service and payment failure risks serious harm to clients, partners, and New Zealand.*
3. *Client experience: Our current service model can make it difficult for clients to get help, which could result in harm and exacerbate hardship.*

The expected benefits

Addressing the problems outlined above will deliver the following benefits to New Zealanders:

- **Reduced inequity** – Outcomes for Māori and Pacific peoples will improve across all benefit areas.
- **Improved wellbeing of people in need** – If we respond early, understand people's needs, and provide the right services at the right time, we reduce the amount of time people are in the system, ensure less people end up in debt, and empower people to achieve their goals.
- **Improved effectiveness and efficiency of services** – By improving the systems, processes, and capabilities we will create efficiencies and improve the effectiveness of services provided. This will include enhanced digital services. The improvements in delivery will ensure we meet client needs quicker and enable us to provide the enhanced and tailored service levels.
- **Improved system agility and resilience** – Modern and improved systems will ensure we can implement government policy quickly and effectively, and we will significantly reduce the overall risk of system failures.
- **New Zealanders have improved trust and confidence in us** – By providing mana-enhancing services that deliver full and correct entitlements, with a responsive and flexible foundation, we will improve people's trust and confidence in us.

Delivering these benefits will realise parts of the Government's welfare overhaul and contribute to achieving our strategies Te Pae Tawhiti, Te Pae Tata and Pacific Prosperity.

This investment also represents a key opportunity to mitigate the role that MSD systems and processes can play in contributing to debt through overpayment of benefits, supporting the debt to government work programme underway. Each year approximately \$200m of overpayment debt is established, predominantly due to the late declaration of people's changes in circumstances (such as their relationship, address, income etc) of which, income is a large proportion. A significant portion of this debt could potentially be avoided through better systems and processes.

Detailed measures for each benefit area are under development as part of the programme business case, which will be presented to Cabinet in March 2022.

Investment objectives

Given the drivers, problems, and expected benefits, we developed the following investment objectives for the programme in collaboration with key staff and senior leaders:

- Develop and deliver effective targeted, tailored and integrated services in income support, employment, and housing, to support the diverse and multiple needs of clients, whānau and communities.
- Build and strengthen partnerships with whānau, hapū, iwi and communities by working differently and enabling them to achieve their wellbeing aspirations.

- Modernise our core technology systems to:
 - minimise the risk of sustained system outages and intermittent system failure
 - improve agility so policy and change can be implemented in an efficient and cost-effective manner
 - increase the secure use of information and intelligence to improve the delivery of services to better meet client need.
- Enable easier access to services and information for clients, whanau, partners, and staff.

Next steps

This strategic assessment outlines the case for change and supports our request to proceed to the collaborative development of a programme business case in conjunction with our key stakeholders, as explained above, to be considered by Cabinet in March 2022.

The programme business case will allow for prudent review and clearly outline off-ramps and exit points for MSD and Ministers for each stage of the programme.

Appendix A – The drivers for change

The world and New Zealand are changing

We need to be able to respond to a changing world. Social welfare has moved on from the architectures laid down in the second half of the twentieth century. The cultural climate, demographics, and economic structure of the countries that introduced these welfare systems are vastly different today from when these architectures were developed. These welfare systems are now often at odds with the modern world's cultural expectations and economic realities.

New Zealand's changing population, society, and broader environment is driving greater demand on the welfare system

New Zealand's landscape is changing. The strengths and capabilities that have enabled us to respond effectively to baseline demand and demand spikes in the past will not suit our future challenges. The population is ageing and becoming more ethnically diverse. Our clients have increasingly multiple needs and expect to interact with us in different ways. Technological advancement is fundamentally shifting the way people and businesses operate. We are consistently called to lead the Government crisis responses such as natural disasters, terrorist attacks, and pandemic events. We must do so while continuing to fulfil our existing responsibilities. We need to invest so we can better respond to these demand drivers.

Demand driver 1 – inequity of outcomes: Māori and Pacific peoples are accessing welfare services at a disproportionate rate to the population as a whole. In addition, MSD's service approach needs to be more tailored to the cultural context of Māori or Pacific peoples.

The Welfare Expert Advisory Group concluded that MSD is not delivering well for all clients and whānau⁹. Consultation feedback provided as *Whakamana Tāngata* noted that *"the welfare system is belittling of the mana and integrity of [Māori] people – kuia, kaumātua, tamariki, mokopuna."*¹⁰

These sentiments are also supported by the 2018 Te Ao Māori survey responded to by over 2,200 MSD employees:

- 80% of employees agreed or strongly agreed that Māori culture and values are relevant to our work here at MSD
- 40% of employees believe that MSD does not embrace or nurture Māori culture
- Our effectiveness at engaging with Māori was consistently rated as low.¹¹

Pacific peoples need to be better served by MSD. The Welfare Expert Advisory Group noted that MSD needs to accelerate its commitment to cultural responsiveness to Pacific

⁹ <http://www.weag.govt.nz/background/welfare-system-statistics/>

¹⁰ Comments made at Provider Forum, Kaitiāia. Documented in Welfare Expert Advisory Group, 2019, *Whakamana Tāngata: Restoring dignity to social security in New Zealand* (Crown Copyright, February 2019), page 31. <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf> [Accessed 9 November 2020]

¹¹ Sourced from 2018 internal MSD survey.

peoples, through better awareness of cultural obligations and provision of appropriate support and resources to achieve equitable outcomes¹².

We need to make important changes to MSD's service delivery model to effectively tailor services particularly for Māori and Pacific peoples.

Demand driver 2 – not consistently meeting client needs: there is a persistent, increasing group of people with multiple needs including chronic health conditions (particularly mental health and addiction)¹³, disabilities, generational welfare dependency and children growing up in poverty, housing instability, including homelessness. These needs are in addition to the need for financial support and employment.

We will need increased case manager capacity and capability including partnerships to provide specialised support.

Increasingly unaffordable housing and a lack of adequate public housing stock are putting further pressure on our clients. The fear and insecurity generated by COVID-19 and its impact on the economy will increase mental distress amongst those in work, especially those working on casual contracts who may not be able to maintain their employment without assistance.

At least 62% of all people on main benefit had accessed a mental health service in the last three years. This is significantly higher than the rate for the total population.

Those people who have accessed a mental health service in the last three years are less likely to exit the benefit system and are less likely to remain off benefit after exit.

Demand driver 3 – critical risk of technology failure: there is a growing technology failure risk due to MSD's ageing and end-of-life systems. These systems are difficult and expensive to maintain, and to protect from emerging threats to system and data security.

MSD has a large, complex, and aging technology environment - some core applications are over 30 years old. This environment consists of over 75 core applications providing over 380 different technology services. Because of the complexity of the technology, it is difficult for service delivery employees to easily assess clients' needs, or even understand where and how they have interacted with them in the past.

Several core business applications are at the end of their useful life, are difficult and expensive to support and have increasing risk of failure. We must address this system's complexity and risk if MSD are to continue to provide a service to clients and whānau.

The COVID-19 response exposed the fragility of the core technology platforms that distribute work across the front-line. The demands pushed some of these at-risk systems to breaking point. Failures in these systems significantly degraded the MyMSD

¹² Welfare Expert Advisory Group, *Whakamana Tāngata: Restoring dignity to social security in New Zealand* (Crown Copyright, February 2019), pp. 68-69.

¹³ Sourced from the Ministry of Social Development actuarial team. This includes those clients accessing a Health Condition or Disability benefit (for psychological, intellectual, psychiatric and addiction conditions) as well as those on other benefits. It does not include anyone who may have mental health issues and has not received treatment for them.

experience. It was only good luck and rapid recovery by our people through almost heroic efforts that kept the disruption to a minimum.

A survey of a selection of MSD's core IT assets was completed in April 2019. Of the 33 applications surveyed, only five (15%) were identified as being "healthy". The core benefits payment engine – SWIFTT – was identified as being "unhealthy".

Demand driver 4 – not meeting client expectations: people have different expectations around how they interact with and receive services from the Government. MSD does not have fit-for-purpose online services to allow people to choose how they interact, and specifically for those people who only want to interact online.

New Zealanders are increasingly expecting a seamless digital experience. We must provide services for the segment of our clients that want to access services in this way, whilst being flexible to deliver integrated services for those with more multiple needs (e.g., disability and health needs). Our service channels will need to be joined-up—clients do not want to re-explain their needs when they engage with a new channel, as they have to today.

The Government's *Strategy for a Digital Public Service* sets the direction to modernise and transform the public service, putting citizens and businesses at the centre of government services¹⁴. This strategy states that digital tools and practices can help people access personalised services where and when they need them, engage in decisions about issues they care about, and maintain trust in an open, transparent and inclusive government.¹⁵ Currently MSD's digital offerings need substantial transformation to meet these expectations.

Demand driver 5 – lack of agility in implementing policy change: MSD will continue to be required to implement legislative and policy change and our current technology and processes makes this extremely complex and expensive.

This Government has already stated that welfare overhaul is a priority¹⁶. There will be many changes that we must cater for while still providing services to our clients.

We need to be responsive to change, but we are currently not set up to deliver significant change. Even our current demand load is a significant challenge to us. At present, we can only change by asking our people to go above and beyond to overcome our inflexible systems and processes. This usually requires workarounds, which are not sustainable and leads to greater risk.

Historically, we have implemented the policy changes, and new products demanded of us, often under tight timeframes. However, our systems are ageing, highly complex and not set up for helping us deliver change. Due to time pressure, we have

Recent policy changes have required disproportionately large amounts of resource and time to implement.

The 2012-13 welfare reform initiative was delivered over three phases taking 24 months to deliver and costing \$50.9M with approximately 615-715 FTE involved.

The 2018-19 family incomes package initiative took 26 months to deliver and costing \$8.2M with approximately 221-231 FTE involved.

¹⁴ See, [Strategy for a Digital Public Service](#), Minister's Foreword, 1

¹⁵ https://www.digital.govt.nz/digital-government/strategy/strategy-summary/strategy-for-a-digital-public-service/#why-we-need-to-change-_title

¹⁶ *Labour Manifesto 2020* <https://www.labour.org.nz/news-labour-2020-manifesto>

not always adhered to best practices when setting up infrastructure to respond to new requirements. Over time, our systems worsen through each change we make.

For example, the Winter Energy Payment initiative was required to be adopted into our system within a short amount of time. Due to the complex nature of our ICT systems, the calculation was manually built using spreadsheets to meet the timeframe. This non-integrated solution can lead to further fragmentation of MSD systems and potentially increases the risk of unauthorised access to information and privacy breaches

Demand driver 6 – changing demographics: there will be a significant increase in ethnic diversity as well as an increase in the proportion of older people in our population. Family structures will continue to change and become more diverse.

There is a growing proportion of Māori, Pacific, and Asian peoples in New Zealand¹⁷. We are also facing an ageing population¹⁸, extended work lives, and more seniors with inadequate housing.

MSD services will need to be tailored to suit the increasingly varied circumstances of people.

The total Māori population is expected to increase to 1.16 million in 2038, a 68% increase from 2013. By 2038, the proportion of Māori youth will have increased by 20% compared to today.

The total population of Pacific peoples is estimated to increase to 480,000 by 2026 and to 650,000 by 2038.

The total population of Indian and Chinese New Zealanders is expected to increase to 1.38 million in 2038 from 0.54 million on 2013.

Demand driver 7 – changing labour market: technological change, climate change, recessions and other large-scale changes will continue to shape the amount and type of work available. The pace and scale of change is uncertain. The impacts are likely to be uneven, impacting low and semi-skilled workers and some industries and communities more than others.

The decline in semi and low skilled jobs due to automation and global resourcing disproportionately impacts our clients¹⁹, with Māori and Pacific peoples and those from certain New Zealand regions being over-represented. We will

The New Zealand Treasury estimates that up to 21% of New Zealand's current jobs will be automated by 2030.

Māori and Pacific peoples are over-represented in this proportion of the workforce, with 57% of Māori and 65% of Pacific peoples in lower or semi-skilled jobs.

Certain New Zealand regions are also overrepresented, due to the lack of alternative employment in those areas.

¹⁷ Statistics New Zealand, *National Ethnic Population Projections: 2013(base)-2038(update)* (18 May 2017).

http://archive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalEthnicPopulationProjections_HOTP2013-2038.aspx [Accessed 9 November 2020].

¹⁸ Super Seniors, *Our ageing population* (not dated). <http://www.superseniors.msd.govt.nz/about-superseniors/media/key-statistics.html> [Accessed 9 November 2020]

¹⁹ Proactive release by Treasury in April 2019 of document: McKinsey & Company, *Future of work tripartite forum: evidence base of the future of work* (Auckland, 2019), page 3. <https://treasury.govt.nz/sites/default/files/2019-04/fowtf-evidence-base-4080406.PDF> [Accessed 9 November 2020]

need new ways to upskill clients, move them into sustained employment, and respond more to those frequently entering and exiting the system.