

## In Confidence

Office of the Minister for Social Development and Employment  
Cabinet Social Wellbeing Committee

## Welfare Overhaul work programme update: key priorities and next steps

### Proposal

- 1 This paper provides an update on the progress made on the welfare overhaul work programme and seeks agreement to proposed next steps. It also seeks your agreement to release the engagement findings report on the review of the purpose and principles of the Social Security Act 2018 (the Act) and development of legislative commitments to te Tiriti o Waitangi within the Act.

### Relation to government priorities

- 2 The welfare overhaul work programme is a 2020 manifesto commitment and a core part of achieving the Government's priority of laying the foundations for the future. This priority includes creating a welfare system that ensures people in need are able to have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities. It is also an important part of reducing child poverty and improving child wellbeing.
- 3 Given the disproportionate numbers of Māori and whānau Māori within the welfare system, changes to the welfare system can also play a significant role in the Government commitment of building better partnerships with Māori and improving how the public sector responds to Māori issues – if done properly. Changes within the welfare overhaul will help improve the welfare system's responsiveness to Māori and help government agencies in the welfare system to be better treaty partners, such as through the introduction of a Māori values framework and legislative commitments to honour te Tiriti o Waitangi.

### Executive Summary

- 4 In 2017, the Government committed to overhauling the welfare system, with a vision for a welfare system that ensured people in need are able to have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities. This was in response to the welfare system of the time being seen as not fit for purpose, particularly in relation to the overrepresentation of Māori and Pacific peoples in the benefit population.
- 5 To guide this work, Cabinet agreed in 2019 to short, medium, and long-term welfare overhaul work programmes, which were later revised in 2021. This was informed by the advice and recommendations of the Welfare Expert Advisory Group, as well as the work which we have accomplished to date

and, in 2021, work which we accomplished as part of our response to the Covid-19 pandemic.

- 6 We have made great progress on the welfare overhaul since 2017, having invested \$14.6 billion across various initiatives to improve the lives of the most vulnerable New Zealanders. This includes over \$12.5 billion on initiatives for improving income support, \$868 million into employment interventions, \$560.8 million on responding to increased demand for housing supports, and \$297.4 million in the community sector.
- 7 These investments have had a tangible impact on the lives of New Zealanders. Approximately 351,000 individuals, families, and whānau are, on average, \$113 per week better off than they were in 2017 as a result of the welfare overhaul. All measures of child poverty have trended downwards since 2017/18, fewer households with children report not having enough income for basics, and total incomes are higher for those supported by benefits in 2022 than in 2018, even after accounting for increases to housing and the cost of living.
- 8 Despite this, there is still more work to be done. I have outlined priority areas both for the next 12 months and the next 1 to 3 years, where I wish to progress work to help further the welfare overhaul and move towards our vision for the welfare system. These include pieces of work currently underway, such as the reviews of Working for Families and Childcare Assistance, as well as pieces of work which have not yet been started.
- 9 Priority work areas over the next 12 months include:
  - 9.1 Implementing Child Support Pass-On
  - 9.2 Continuing to explore options to improve MSD's Childcare Assistance
  - 9.3 Continuing the Working for Families review to reduce child poverty and help make work pay
  - 9.4 Continuing the debt to Government work programme
  - 9.5 Exploring options to change hardship assistance settings
  - 9.6 Work to address the findings of the Active Labour Market Programme review
  - 9.7 Exploring the further expansion of MSD employment products and services particularly to older people and those not on a benefit
  - 9.8 Extending the period a recipient of Supported Living Payment can work for 15 hours or more a week
  - 9.9 Implementing the first steps of the Social Sector Commissioning Action Plan

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- 9.10 Continuing work on improving uptake of Accommodation Supplement as a first step of the Accommodation Supplement review
  - 9.11 Implementing the 10 actions from the Emergency Housing System Review
  - 9.12 Continuing to make changes at Service Centres to improve accessibility and client experience.
- 10 Priority areas over the next 1 to 3 years include beginning work on:
- 10.1 Introducing the Welfare Overhaul Bill to reset the foundations of the welfare system
  - 10.2 Embedding the Māori values framework across MSD
  - 10.3 Exploring opportunities to align youth rates with those of other main benefits
  - 10.4 Reviewing income support settings for those in split and shared care arrangements
  - 10.5 Exploring relationship definitions and unit of entitlement with a focus on those who are unable to work, and alignment of welfare settings with the New Zealand Income Insurance Scheme
  - 10.6 Increasing rates and expanding eligibility to Child Disability Allowance and Disability Allowance
  - 10.7 Resuming the review of the following obligations and sanctions: Warrant to Arrest, Social Obligations and Pre-Employment Drug Testing
  - 10.8 Progressing the broader Accommodation Supplement review, including an area boundary review.
- 11 To highlight progress which we have been making on the foundations of the welfare system, and to recognise the contributions which stakeholders made through the recent engagement process, I am proposing to publicly release the attached engagement report. I also intend to release the advice from Ngā Mātanga Māori on a Māori values framework for the welfare system.
- 12 I will seek Cabinet agreement to future policy decisions to inform the Welfare Overhaul Bill and other initiatives.

### Background

*There has been significant investment and changes made to the welfare system since 2017 in response to the Government's vision to overhaul the welfare system*

- 13 New Zealand's welfare system has undergone significant change over time. However, we knew that it did not always meet the needs of those it was

designed to support. Many of the changes, particularly the 1991 budget cuts and increase in sanctions and a punitive approach through the 2013 welfare reforms, have had far reaching consequences on users of the welfare system, with benefit receipt being associated with stigma and isolation. There has also been inadequate investment in the welfare system, particularly around active labour market programmes and income support.

- 14 That's why in 2017, the Government committed to overhauling the welfare system, with a vision for a welfare system that ensured people in need are able to have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities. This was in response to the welfare system of the time being seen as not fit for purpose, particularly in relation to the overrepresentation of Māori and Pacific peoples in the benefit population.
- 15 We took immediate steps through the introduction of the Families Package and the culture change programme to increase incomes for families and improve the environment at Work and Income offices.
- 16 The Government also established the Welfare Expert Advisory Group (WEAG) to provide advice on the overhaul of the welfare system. The WEAG concluded their work and, in February 2019, provided the Government their final advice in the report *Whakamana Tāngata*.
- 17 The WEAG report reinforced that the welfare system was no longer fit for purpose and needed fundamental change. Their advice provided a wide range of feedback on New Zealand's welfare system and recommended significant and large-scale reform – making 42 key and over 100 detailed recommendations. These recommendations aligned with the Government's direction of travel and would continue to contribute to the ongoing work to overhaul the welfare system.

*A welfare overhaul work programme was developed in 2019 and updated in 2021*

- 18 In November 2019, Cabinet endorsed short, medium, and long-term work programmes to overhaul the welfare system, which were guided by three priority areas for welfare system initiatives [SWC-19-MIN-0168]. These are:
  - 18.1 Addressing financial support with a focus on child wellbeing
  - 18.2 Supporting people who are able to be earning, learning, caring and volunteering
  - 18.3 Improving access to affordable housing [CAB-19-MIN-0170].
- 19 We undertook a huge number of changes which are outlined in more detail in the following section. However, this work programme was then disrupted by the onset of the Covid-19 pandemic in early 2020. However, the welfare overhaul informed several of the initiatives which MSD implemented to help New Zealanders during the pandemic. This included the temporary suspension of several income support settings (such as 52-week



reapplications and stand-down periods), doubling the Winter Energy Payment for 2020, increasing main benefits by \$25 per week, and expanding employment and training supports.

- 20 In September 2021, Cabinet agreed to the renewed Welfare Overhaul work programme which took into account the impact of Covid-19, reprioritising resources to provide relief to people in vulnerable circumstances and supporting people into employment opportunities [SWC-21-MIN-0128 refers].
- 21 This work programme was focused on progressing the following priority areas:
  - 21.1 Resetting the foundations of the welfare system
  - 21.2 Improving employment supports and services
  - 21.3 Further improving supports for disabled people, people with health conditions and carers
  - 21.4 Enhancing the community sector
  - 21.5 Improving income support system and addressing debt
  - 21.6 Reviewing Working for Families and the Accommodation Supplement
  - 21.7 Reviewing Childcare Assistance
  - 21.8 Reviewing obligations and sanctions.
- 22 There has been a range of work that has occurred in each of these areas which is outlined further below.
- 23 We have now updated these priority areas to better reflect progress to date and next steps. I propose using the following categories to organise the welfare overhaul from now on:
  - 23.1 Increasing adequacy and accessibility of income support
  - 23.2 Better outcomes: Employment and training
  - 23.3 Improving client experience and rebalancing the social contract
  - 23.4 Improving supports and services for disabled people, people with health conditions, and their carers
  - 23.5 Supporting transitions out of care and corrections facilities
  - 23.6 Reducing housing insecurity
  - 23.7 Enhancing the community sector
  - 23.8 Resetting the foundations.

**The Government has upheld its commitment to progress the welfare overhaul this term**

- 24 As a Government, we have made fundamental changes to progress the overhaul of the welfare system since 2017. Since my last update to Cabinet on the welfare overhaul work programme in 2021, we have delivered on multiple key initiatives, building on the progress made since 2017. These initiatives have prioritised work that helps reduce child poverty, and collectively represent a significant part of the medium-term work programme. An outline of the changes we have made as part of the welfare overhaul is below.
- 25 Many of these initiatives also give effect to the recommendations of the WEAG report – a table showing progress against these recommendations is attached as **Appendix One**.

*Increasing adequacy and accessibility of income*

- 26 Our Government has made significant increases to main benefits, the largest such increases since the 1940s. These initiatives softened the sudden impacts of Covid-19 by providing better income support and reducing welfare system barriers to support people in a way that meet their needs.
- 27 Several changes made since 2017 have helped improve the income support system and reduce the impact of debt on clients.
- 28 We implemented the Families Package which helped around 330,000 families in its first year – more than half of all families with children in New Zealand. This package:
- 28.1 Increased Accommodation Supplement
  - 28.2 Increased Family Tax Credit
  - 28.3 Introduced the Best Start Payment for parents of newborn children
  - 28.4 Introduced the Winter Energy Payment to support with extra heating costs over winter.
- 29 We have increased main benefits:
- 29.1 Main benefits were indexed to average wage growth
  - 29.2 One of the first things we did in response to COVID was increase main benefits for everyone by \$25 permanently
  - 29.3 Following that in July 2021 we increased benefits by a further \$20, and then by between \$20 and \$42 per adult in April this year
  - 29.4 Compared to 1 April 2021, main benefit rates have increased by between \$40 and \$62 per adult per week – or between 13 and 30 percent

- 29.5 These main benefit increases, along with changes to Working for Families and Child Support, are estimated to lift up to 30,000 children out of poverty.
- 30 Abatement thresholds of main benefits increased to \$160 per week and \$250 per week on 1 April 2021, allowing people to increase their total income through part time work.
- 31 As the first step of the review of Working for Families, we have implemented changes that mean 346,000 families will be better off by an average of \$20 per week and an estimated 6,000 children will be lifted out of poverty.
- 32 We have committed to implementing child support pass on to reduce discrimination against sole parents and increase incomes for families.
- 33 We have indexed Childcare Assistance to increases in the average wage so that rates will continue to increase each year, with a further one-off increase coming into force in 2023 to make up for the thresholds being frozen in 2010.
- 34 We have increased income thresholds permanently for hardship assistance so low-income workers can access this support. This reduces the need to borrow from private lenders who charge interest, sometimes at excessive rates.
- 35 We have increased dental grants from \$300 to \$1000 to increase support available for dental costs and reduce debt for clients.

*Better outcomes: Employment and training*

- 36 We have invested heavily in a variety of employment supports to remove barriers and help people back into employment:
- 36.1 We reinstated the Training Incentive Allowance for four years to support sole parents and disabled people or those with health conditions into further training and upskilling.
- 36.2 We rolled out and expanded Mana in Mahi which has proven incredibly successful at supporting people into work while undertaking on the job training.
- 36.3 We have expanded He Poutama Rangatahi to support more disadvantaged young people to overcome complex barriers to training and employment.
- 36.4 We have expanded Flexi-Wage to support employers to take on disadvantaged jobseekers and people at risk of long-term benefit receipt.
- 36.5 We have rolled out Apprenticeship Boost to support employers to retain and take on new apprentices, until December 2023.

- 36.6 We have invested in an additional 263 employment focused case managers to better support people into work.
- 36.7 We have expanded Māori Trades and Training to improve access to by-Māori-for-Māori training and employment opportunities.
- 36.8 We have increased investment in driver's licence testing and training to increase access to improve employment and safety outcomes.
- 36.9 We have expanded the role of MSD in providing employment services to those not yet on a benefit to prevent them from falling out of the labour market, while maintaining a focus on reducing barriers to work for those at risk of long-term benefit receipt.
- 36.10 We are exploring the New Zealand Income Insurance Scheme to better support displaced workers.

*Improving client experience and rebalancing the social contract*

- 37 We prioritised the removal of harmful sanctions that impacted children. We removed the punitive section 192 sanction which penalised sole parents. This was estimated to benefit 24,000 children.
- 38 The subsequent child policy was removed from the Social Security Act 2018 through the Social Security (Subsequent Child Policy Removal) Amendment Act, which came into force on 11 October 2021. This was estimated to benefit over 40,000 children (based on 2021 data).
- 39 We introduced a client commitment based on feedback from clients, which outlines MSD's commitment to clients and puts whole new expectations in place in terms of the values Work and Income will live by.
- 40 We developed an online eligibility guide to enable people to more easily understand what support they may be entitled to.
- 41 We have made improvements to the front of house areas of MSD's service centres such as having watercoolers, new 'kids area' furniture and signage to help service centres be a more welcoming and accessible environment.
- 42 In line with expanding data and insights through MSD, we have also rolled out the Heartbeat initiative to better measure client experience.

*Improving supports and services for disabled people, people with health conditions, and their carers*

- 43 We have introduced changes to the medical certificate process for determining work capacity so that the process better reflects client circumstances.
- 44 The new Ministry of Disabled People, Whaikaha, was launched in 2022, which continued to invest in and roll out Enabling Good Lives.

- 45 We have expanded community participation services and put additional funding to support disabled people and people with health conditions into employment through Oranga Mahi.

*Supporting transitions out of care and corrections facilities*

- 46 We have expanded support for those exiting prison through:
- 46.1 The provision of tailored wrap-around support as part of the Supporting Offenders into Employment service which is a part of MSDs employment service offering nationwide
  - 46.2 The introduction of Māori Pathways aimed at reducing reoffending and improving outcomes for whānau.
- 47 Through the Oranga Tamariki Action Plan, MSD has worked with other key agencies to connect with initiatives that support young people, including those who have been in Oranga Tamariki care, into employment, education and training. Initiatives such as He Poutama Rangatahi and Mana in Mahi could contribute to achieving this objective.

*Reducing housing insecurity*

- 48 We are on track to deliver 18,000 extra public and transitional homes over the six years from 2018 to 2024 in order to address housing insecurity.
- 49 We are also improving support for housing insecure and low-income New Zealanders through improvements to Housing Support Products which provide recoverable assistance for housing costs like rent arrears, bonds and moving costs.
- 50 We have also made changes to improve conditions for renters by:
- 50.1 Amending the Residential Tenancy Act to ensure security of tenure
  - 50.2 Introducing Healthy Homes Standards to create specific and minimum standards for heating, insulation, ventilation, draught stopping, moisture ingress and drainage in rental properties.
- 51 We have also reduced barriers to buying a home through the Affordable Housing Fund to support the development of new affordable homes for low-to-moderate income families and improved accessibility to First Home Products.

*Enhancing the community sector*

- 52 In 2019, we invested in addressing cost pressures for all MSD funded social services. For some providers this was the first increase in contract rates since 2007/8.
- 53 Building on that we have further invested in building capability in the social sector, increasing capacity of budgeting services, investing in debt solution

services and micro-finance, increased capacity of family violence services and provided sustainable funding for sexual violence services.

- 54 We announced the Social Sector Commissioning Action Plan to outline the pathway to fundamentally overhaul the social sector.
- 55 We have established a Social Sector Commissioning hub, which will provide dedicated expertise to support the implementation of the Social Sector Commissioning change programme.

*Resetting the foundations*

- 56 We have been undertaking work to lay the foundations for a better, fairer, evidence-based welfare system.
- 57 MSD is currently transforming its operating model through Te Pae Tawhiti Programme, which aims to address problems with MSD's current service approach, making it easier and simpler for New Zealanders to get help through the welfare system. Cabinet agreed to a preferred way forward on this work in May 2022 [GOV-22-MIN-0011 refers].
- 58 MSD has developed and launched its strategic direction, *Te Pae Tawhiti – Our Future*. This is supported by MSD's Māori strategy and action plan, *Te Pae Tata*, and *Pacific Prosperity*, its Pacific strategy and action plan. These initiatives support the broader objectives of the welfare overhaul.
- 59 We have expanded the insights and data collection through MSD. This has included regular reporting on long-term off-benefit outcomes and annual reports on client incomes. These insights, alongside comprehensive evaluations, continue to inform next steps of the welfare overhaul.
- 60 Targeted engagement was carried out with a range of stakeholders earlier in 2022, focusing on proposed changes to the purposes and principles of the Act as well as proposed legislative commitments to te Tiriti o Waitangi. The findings of this engagement will inform further work in this area.
- 61 MSD has also received the final Māori values framework to underpin the entire welfare system from a group of eight mātauranga Māori experts, known as Ngā Mātanga Māori. Work is now underway on giving effect to their proposed framework across MSD, and I intend to publicly release the group's advice shortly. The framework proposed by Ngā Mātanga Māori and the critical shifts they suggest are needed in the welfare system to achieve the required change are attached as **Appendix Two**.

**As a result, the Government has invested approximately \$14.6 billion on initiatives to overhaul the welfare system since 2017**

- 62 We have made significant investments into the welfare overhaul since 2017. This has included over \$12.5 billion on initiatives for improving income support, \$868 million into employment interventions, \$297.4 million in the

community sector and \$560.8 million on responding to increased demand for housing supports.

- 63 Further investments have been made in the disability sector have sought to improve the wellbeing of disabled people, people with health conditions, and their carers, with \$123.544 million being invested in the sector since 2017. An overview of key investments in the welfare overhaul is attached as **Appendix Three**.

**The progress made in the welfare overhaul has resulted in a fundamentally changed welfare system translating to material improvements in the lives of families, which are being reflected in national statistics**

*We have made it easier for people to fulfil their aspirations and go into employment training*

- 64 Employment initiatives such as Mana in Mahi, improving access to driver's licence support, Flexi-Wage, Apprenticeship Boost and the Employment Services in Schools pilot are supporting people into employment. Increasing the abatement threshold for main benefits, increasing Working for Families payments and increasing income thresholds for Childcare Assistance are also making a real difference in reducing barriers and supporting people toward sustainable employment outcomes.
- 65 We are seeing record numbers of people go into work. In the year ending June 2022, we saw around 113,000 people move off benefit and into work. This was around 44% higher than in the year to June 2017, which had around 79,000 people move off benefit and into employment. There have also been:
- 65.1 21,558 placements through the Flexi-Wage scheme expansion
  - 65.2 5,469 placements through Mana in Mahi since 2018
  - 65.3 4,213 rangatahi supported into employment, education or training through He Poutama Rangatahi since 2018
  - 65.4 53,102 apprentices supported through the Apprenticeship Boost Initiative
  - 65.5 MSD has also supported 3,909 clients while they studied through the Training Incentive Allowance so far in 2022.

*We have improved income adequacy for families and reduced child poverty*

- 66 Compared to 2017, approximately 351,000 individuals, families and whānau will be, on average, \$113 per week better off as a result of these changes, including 129,000 Māori and 38,000 Pacific peoples, who will be on average \$119 and \$127 per week better off respectively.
- 67 The impact is even more pronounced for families, with 109,000 families with children better off by an average of \$181 per week when compared to 2017.

- 68 The July 2018 introduction of Best Start and extra paid parental leave boosted the incomes of families with children in their early years. By the time children turned three, mothers of the first group of children born after 1 July 2018 received in excess of \$5,000 more financial assistance on average. Evidence from overseas shows that that this increase in financial assistance for families will have positive effects across many areas of life for children and parents.
- 69 MSD's 'total incomes' work shows that successive increases to income support payments have meant average income levels for those supported by benefits in 2022 are notably higher than in previous years, even after accounting for housing costs and inflation. In real terms, total incomes after housing costs for people supported by main benefits were, on average, 43 percent higher in 2022 than in 2018 as a result of the reforms.
- 70 All measures of child poverty have trended downwards since 2017/18, including on the primary measures in the Child Poverty Reduction Act 2018. As of 2020/21, there were 66,500 fewer children in low-income households on the after-housing-costs child poverty measure, 26,700 fewer on the before-housing-cost measure, and 21,900 fewer children experiencing material hardship.
- 71 Longer-term series from MSD's child poverty monitoring show continuation of a longer period of decline in the percentages of tamariki Māori and Pacific children in poverty and experiencing material hardship. Some disparities narrowed, especially for after-housing-costs measures.
- 72 We are also seeing a drop in food insecurity. 12.5% of children lived in households where food runs out sometimes or often in 2021/22, down from 14.9% the previous year and a significant drop from 24.1% in 2012/13.
- 73 There have also been reductions in households with children reporting 'not enough income for basics', alongside a declining trend in children experiencing potentially avoidable hospitalisations. While there are a range of factors that may have contributed to these improvements, we can expect substantial investments in income support and other policies are likely to have made a significant contribution.
- 74 Further work is required and is ongoing in analysing the impacts and outcomes of the initiatives the Government has progressed through the Welfare Overhaul work programme since 2017.

*We have improved interactions with MSD for clients*

- 75 Surveys were completed during implementation of these changes, which found significant improvements in how people experience MSD. Of those who responded to the survey:
- 75.1 83.9% said the Front of House space feels comfortable and inviting
- 75.2 83.9% said they felt welcome



75.3 92.5% said they were treated with respect.

76 MSD also reports quarterly on people's experience when they speak with MSD. In Quarter 3 2022 76% provided a score of 8-10 out of 10 when asked about their interaction with the person they spoke with. These scores for 'experience with the person they spoke with' continue to be consistently high indicating that frontline staff are contributing positively to clients' experiences.

77 We have also seen a significant reduction in sanctions. As a result of the prioritised removal of sanctions that most impacted children, and improvements to how case managers approach clients, we have seen an 87% drop in sanctions that impact children since June 2017.

### Key priorities for the welfare overhaul moving forward

78 I want to continue to improve the wellbeing of New Zealanders through overhauling the welfare system, ensuring people in need are able to have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities.

79 We have made good progress on this to date, with a wide range of work underway in a variety of areas with real world impacts as outlined above. Building on the strong work we have done to date, I am proposing to prioritise the following areas as next steps. These next steps reflect priorities within the next 12 months, and 1 to 3 years. Further long term work will be considered following this.

80 The work programme over the next several years will be informed by the progress made in the next 12 months, as well as taking into consideration the impacts of other relevant initiatives including:

80.1 the New Zealand Income Insurance Scheme s 9(2)(f)(iv)

80.2 the recent establishment of Whaikaha, changes to the health system and the interface between the health, disability, and welfare systems which will take time to progress

80.3 MSD's Te Pae Tawhiti Programme to improve the way MSD delivers services.

### *Increasing adequacy and accessibility of income support*

81 Over the next 12 months we will build on steps already taken to improve Childcare Assistance by continuing the Childcare Assistance review. We will continue to explore options to improve MSD's Childcare Assistance to reduce financial barriers to work for parents by increasing adequacy and accessibility of the subsidies s 9(2)(f)(iv)



- 82 The ongoing review of Working for Families will seek to develop options that improve the design and structure of these tax credits to reduce financial barriers to work and reduce child poverty. This will align with the Childcare Assistance review.
- 83 The Debt to Government work programme will continue to progress work on the development of a cross-government framework to assess debt policies and make operational changes to reduce the creation of overpayment debt.
- 84 As part of this, there is also further work on changes to hardship assistance settings <sup>s 9(2)(f)(iv)</sup> [REDACTED]
- 85 Over the next 1 to 3 years I have directed officials to provide further advice on aligning youth rates of benefit with those of other main benefits.
- 86 Following on from completing work on passing-on child support, I will also be undertaking a review of split and shared care in the system in order to ensure the welfare system reflects modern family structures and parents in split and shared care arrangements are not unduly financially worse off.
- 87 I also intend to have work begin on a review of relationship definitions and the unit of entitlement from 2024. This will have a specific focus on sole parents and cohorts who are unable to work, for example consideration of individualising the Supported Living Payment. This will also explore alignment between the welfare system and the New Zealand Income Insurance Scheme and whether a similar grace period of the impact of relationships on entitlements in the welfare system should be considered.
- 88 It is possible that elements of this work programme may have implications for the student support system, for example, considering increases to youth rates of main benefits could have implications for Student Allowance settings. I have directed my officials to work closely with the Ministry of Education on relevant matters.

*Better outcomes: Employment and Training*

- 89 Work is currently underway to address gaps in support for people who are displaced (either economically or because of reduced work capacity) and in the provision of Active Labour Market Programmes (ALMPs) for disabled people and people with health conditions (including people with mental health and addiction needs), as identified in the ALMP review. Part of this work will strengthen the ALMP system through the application of investment principles to new services and by identifying more opportunities to improve monitoring and evaluation of ALMPs across government. Work to address the findings of the ALMP review is being conducted in a phased approach from 2022 to 2025.
- 90 Over the next 12 months I will also continue work on improving employment support and products to ensure all cohorts at risk of poor labour market outcomes have adequate supports available. This will include a particular



focus on expanding further supports to those not on a benefit and to older people <sup>s 9(2)(f)(iv)</sup>

- 91 These priority areas build on Cabinet's recent endorsement that the core objective of MSD's employment service is to help people at risk of poor labour market outcomes to prepare for, find, and retain suitable employment to improve long-term wellbeing [CAB-22-MIN-0189 refers].

*Improving client experience and rebalancing the social contract*

- 92 Further changes will continue to be made to MSD Service Centres. Based on feedback from clients and targeted engagement, MSD has made good progress on culture change, however there is still more work to be done. This includes ensuring access to toilets at all sites, child friendly play areas and accessible hubs for job hunting. The timing of this is largely dependent on lease timing.
- 93 Over the long term, there will be major changes through the Te Pae Tawhiti Programme which will improve how clients can access MSD support and services. <sup>s 9(2)(f)(iv)</sup>
- 94 Work on the review of obligations and sanctions has been paused for much of 2022 in order to prioritise policy work in other areas of the welfare overhaul. As previously noted, evidence from the United States and the United Kingdom suggests that a very harsh sanctions regime can have adverse effects that drive people away from, rather than closer to, employment. Studies of regimes less severe show that work-related sanctions can be effective in encouraging movement from benefits to work.
- 95 In the next 1 to 2 years, I will resume parts of the review with an initial focus on sanctions that have an impact on children and child wellbeing and are not relevant to work or training requirements. In line with previous welfare overhaul commitments, we will not be removing all work-related obligations and sanctions.

*Improving supports and services for disabled people, people with health conditions, and their carers*

- 96 I have recently received advice on reviews of both Disability Allowance and the Child Disability Allowance with a focus on improving accessibility and take-up of the payments, and ensuring their rates are sufficient.
- 97 Over the next 1 to 2 years, I intend to progress changes to improve the Disability Allowance and the Child Disability Allowance. This will also include further consideration for potentially expanding eligibility for Disability Allowance including to carers.

- 98 The period a recipient of Supported Living Payment (SLP) can work for 15 hours or more a week while still being eligible for SLP will also be extended by 30 June 2023, from the current 26 weeks to two years. This change is proposed to be included as part of the Social Security Regulatory Systems Amendment Bill. This will allow those with significant health conditions and or disabilities to take up more work while still remaining eligibility for SLP.

*Supporting transitions out of care and corrections facilities*

- 99 I propose highlighting further as part of welfare overhaul the cohort of young people transitioning out of Oranga Tamariki care to independence. Under the Oranga Tamariki Action Plan, in the next 12 months, we will explore how MSD can better support those exiting Oranga Tamariki care such as through the Youth Service Integrated Case Management model or other intensive models.
- 100 In the next 12 months to 2 years, we will also explore how the Steps to Freedom grant can better support those who are exiting prison. This supports existing initiatives that aim to support this group, including MSD's work on Supporting Offenders into Employment.

*Reducing housing insecurity*

- 101 In the next 12 months I will continue to progress the Accommodation Supplement (AS) review, which aligns with the Working for Families review. This will have an initial focus on increasing uptake of AS, as well as consideration for an area boundary review to modernise current areas given the significant amount of housing change since the latest update in 2018 (based on 2016 data). This is also important in encouraging employment in key areas by ensuring housing is affordable and accessible. Further next steps in the longer term will look at more fundamental consideration for changes to AS.
- 102 The Review will also explore recommendations from the Retirement Commissioner around cash asset limits.
- 103 The Minister of Housing and I have also started the Emergency Housing System Review, which builds on a number of changes that have already reduced homelessness and improved wellbeing for those who face housing insecurity, including those funded under the Aotearoa New Zealand Homelessness Action Plan. The next steps of this review include 10 key actions focused on resetting the emergency housing Special Needs Grant and entry pathways, delivering fit-for-purpose emergency accommodation, and resetting social supports. The Emergency Housing System Review paper is anticipated to be considered at the same SWC as this paper.
- 104 In line with this, changes to housing-related hardship assistance, made as part of Budget 2022 to provide more adequate assistance to lower income households to access and sustain housing in the private rental market, will be implemented from March 2023.

*Enhancing the community sector*

- 105 Cabinet recently agreed to the Social Sector Commissioning 2022 – 2028 Action Plan and to work with Māori, including Pou Tangata and other key Māori organisations to develop a set of metrics to measure the impact of the social sector commissioning work programme and the contribution it makes to people's lives and wellbeing by the end of this year [SWC-22-MIN-0140 refers].
- 106 As part of this we will also continue to work on regional and place-based approaches which have been effective during the Care in Community welfare response to COVID, and have been further utilised to provide wrap around support and immediate interventions to respond to youth crime in South and West Auckland through Kotahi te Whakaaro.

*Resetting the foundations*

- 107 I am committed to progressing the work on the foundational settings of the welfare system over the next 1 to 3 years.
- 108 This will involve embedding the Māori Values Framework proposed by Ngā Mātanga Māori across the welfare system in phases – starting with MSD, before consideration for extending to other agencies in the welfare system. This will be done alongside legislative change to reform the purposes and principles of the Social Security Act and implement a legislative commitment in that Act to honour te Tiriti o Waitangi.
- 109 The values framework consists of three primary values: manaakitanga, whakawhanaungatanga, and tiakitanga, including tikanga to guide implementation of the Framework and a cultural understanding which sits over the framework. Giving effect to these values provides an opportunity to improve and help ensure that our welfare system settings better reflect considerations of te ao Māori and tikanga Māori, and will be applied first to MSD before extending over the wider welfare system.
- 110 I also intend to progress a Welfare Overhaul Bill in 2024 to progress reforms to the purposes and principles of the Act and changes to honour te Tiriti o Waitangi. This will help align the foundations of the welfare system with the changes we have made and our vision for the system as a whole.
- 111 The scope of the Welfare Overhaul Bill will include:
- 111.1 Using wellbeing to reframe the purposes and principles of the Act
  - 111.2 Clarifying MSD's role and enabling its operation in providing employment services
  - 111.3 Shifting the emphasis from paid employment to 'suitable employment', and reviewing the current definition of suitable employment in the Act

- 111.4 Strengthening our existing client commitment by ensuring people who receive support or services under the Act are treated with dignity and respect
- 111.5 Providing further legislative transparency to MSD's duty to provide active assistance to those eligible for support under the Act
- 111.6 Introducing clauses to the Act to support the Crown to meet its obligations under te Tiriti, including specific accountability measures for the Chief Executive of MSD to support better outcomes for Māori in the welfare system
- 111.7 Implementing any agreed upon changes to obligations and sanctions arising from the review outlined earlier.

### **Officials engaged on the foundations of the welfare system in early 2022**

- 112 To help inform the development of the policy for the Bill, I directed Officials to undertake targeted engagement with a wide range of stakeholders on a proposed wellbeing concept to frame a new purpose and principles for the Act and the development of Tiriti clauses that could be included in the Act.
- 113 Participants in this engagement process generally supported amending the purpose and principles of the Act, but highlighted that changes need to be accompanied by operational changes to improve experiences. There were also mixed views on the use of wellbeing, as the wide range of interpretations of wellbeing could not be encompassed in a legislative definition. Participants supported a move away from focusing on just paid employment but were divided on whether the focus should be suitable employment.
- 114 Participants and Treaty partners supported the inclusion of Tiriti clauses in the Act. However, many questioned whether the proposals were ambitious enough, highlighting that te Tiriti must be embedded throughout the Act and business practices to truly reflect the obligations the Crown has under te Tiriti. Participants argued that any Tiriti-related proposals need to have strong, direct and unambiguous language and clearly tie MSD to action.
- 115 Some of the participants told us that honouring Te Tiriti will require co-design, co-decisions and co-delivery of services and supports available to people through the welfare system. This should include consideration of accountability mechanisms for MSD staff, devolving services and decision making to communities, and considering 'by Māori, for Māori' approaches to support whānau who are determining their own futures.
- 116 The detailed findings of the targeted engagement sessions are attached in **Appendix Four**. I propose publicly releasing this Targeted Engagement Findings report to demonstrate the progress the Government is making in resetting the foundations of the welfare system as part of the Welfare Overhaul work programme and including a commitment to introduce legislation in 2024.



## Financial Implications

- 117 There are no financial implications resulting from the decisions made in this paper. <sup>s 9(2)(f)(iv)</sup>

## Legislative Implications

- 118 There are no direct legislative implications arising from this Cabinet paper. However, I intend to report with further details of the proposed Welfare Overhaul Bill in 2024.

## Impact Analysis

- 119 There are no regulatory proposals in this paper. Therefore, Cabinet's impact analysis requirements do not apply.

## Climate Implications of Policy Assessment

- 120 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

## Te Tiriti o Waitangi analysis

- 121 A fundamental aspect of the welfare overhaul is the need to improve the degree to which the welfare system honours and gives effect to Te Tiriti o Waitangi. This reflects the Crown's commitment as a Tiriti partner and the respective commitments of agencies within the welfare system.
- 122 Within the welfare system, this commitment relates primarily to working alongside Māori partners to improving equitable outcomes for Māori. Through Te Pae Tawhiti Programme, MSD will work with Māori partners to establish, build, and strengthen structures, pathways, and mechanisms to improve the intergenerational social and economic wellbeing of whānau, supporting them to be strong, safe and prosperous – te mana kaha o te whānau.
- 123 Work on the foundations of the welfare system, particularly on the development of legislative commitments to te Tiriti o Waitangi within the Social Security Act and on a Māori values framework for the welfare system, will also help to solidify the system's responsiveness to te Tiriti o Waitangi. The values framework was developed by a group of mātauranga Māori experts, collectively known as Ngā Mātanga Māori, with this group seeing the use of Māori values in this context as intrinsically linked to te Tiriti o Waitangi.
- 124 Officials have undertaken regular engagement with Māori throughout the welfare overhaul. During the engagement sessions on the foundations of the welfare system earlier in 2022, MSD officials met with a range of Treaty partners, iwi, and Māori organisations – this feedback is now shaping revisions to that work.

- 125 Te Tiriti o Waitangi analysis will continue to be completed for individual initiatives from the Welfare Overhaul work programme as I seek Cabinet decisions in future.

### **Population Implications**

- 126 The Welfare Overhaul work programme will continue to have significant impact on various population groups, particularly Māori, Pacific peoples, young people, children (including those with Oranga Tamariki experience), women, disabled people and people with health conditions. Many of these groups are disproportionately represented within the welfare system, and as such any changes have an outsized impact – especially for intersectional populations (such as wāhine Māori or disabled young people).
- 127 The impact of the welfare overhaul on these groups will continue to be a focus of various pieces of work within the overhaul, with implications to be identified at an initiative level as Cabinet decisions are sought in future. For example, the removal of the subsequent child policy overwhelmingly benefitted women in the welfare system, and other initiatives such as the review of Childcare Assistance and Working for Families and the debt to Government work programme have the potential to further benefit women in particular. The review of Child Disability Allowance has significant implications for disabled children.

### **Human Rights**

- 128 Officials will continue to have regard to consistency with the Human Rights Act 1983 and the New Zealand Bill of Rights Act 1990 as specific initiatives in the Welfare Overhaul work programme progresses over the next several years.

### **Consultation**

- 129 The following agencies have been consulted on this Cabinet paper: Department of Corrections, Department of Prime Minister and Cabinet (Policy Advisory Group and Child Wellbeing and Poverty Reduction Group), Inland Revenue, Ministry of Business, Innovation, and Employment, Ministry of Education, Ministry of Health, Ministry of Housing and Urban Development, Ministry of Justice, Ministry for Women, Te Arawhiti, Te Puni Kōkiri, Treasury, and Whaikaha.

### **Communications**

- 130 Initiatives within the welfare overhaul are communicated on a case-by-case basis depending on their specific circumstances as work progresses. This is often through bespoke announcements, or as part of Budget communications if they are Budget initiatives.
- 131 Should the release of the engagement report be agreed to, this will be published on the MSD website. I intend to send a letter to stakeholders and



treaty partners who engaged on the foundations to acknowledge the report and the valuable contributions which participants made.

### Proactive Release

- 132 I intend to release this paper and associated appendices proactively, subject to redactions consistent with the Official Information Act 1991.

### Recommendations

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

- 1 **Note** that the Government remains committed to overhauling the welfare system, with a vision for a welfare system that ensured people in need are able to have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities
- 2 **Note** the Government has made significant investment and changes made to the welfare system since 2017 as part of the welfare overhaul which are making a material difference in the lives of low income New Zealanders
- 3 **Note** the following key points in relation to the welfare overhaul work programme:
  - 3.1 the Government has invested approximately \$14.6 billion on initiatives to overhaul the welfare system since 2017
  - 3.2 compared to 2017, approximately 351,000 individuals, families and whānau will be, on average, \$113 per week better off as a result of our investments
  - 3.3 there are record numbers of people going into work. In the year ending June 2022, we saw around 113,000 people move off benefit and into work
  - 3.4 in real terms, total incomes after housing costs for people supported by main benefits were, on average, 43 percent higher in 2022 than in 2018 as a result of the reforms
  - 3.5 there were 66,500 fewer children in low-income households on the after-housing-costs child poverty measure
  - 3.6 92.5% of clients surveyed said they were treated with respect when interacting with MSD
  - 3.7 we have seen an 87% drop in sanctions that impact children since June 2017
- 4 **Note** that the welfare overhaul work programmes is underpinned by recommendations from the Welfare Expert Advisory Group

- 5 **Note** that we have made progress on the welfare overhaul in a range of areas since my last update in September 2021
- 6 **Note** the welfare overhaul will retain a focus on aligning with the following major Government initiatives:
- 6.1 the New Zealand Income Insurance Scheme s 9(2)(f)(iv)
  - 6.2 the recent establishment of Whaikaha, changes to the health system and the interface between the health, disability, and welfare systems which will take time to progress
  - 6.3 MSD's Te Pae Tawhiti Programme to improve the way MSD delivers services
- 7 **Note** the following are the priority areas for the welfare overhaul:
- 7.1 Increasing adequacy and accessibility of income support
  - 7.2 Better outcomes: Employment and training
  - 7.3 Improving client experience and rebalancing the social contract
  - 7.4 Improving supports and services for disabled people, people with health conditions, and their carers
  - 7.5 Supporting transitions out of care and corrections facilities
  - 7.6 Reducing housing insecurity
  - 7.7 Enhancing the community sector
  - 7.8 Resetting the foundations
- 8 **Agree** that priority initiatives over the next 12 months include:
- 8.1 implementing Child Support Pass-On
  - 8.2 continuing to explore options to improve MSD's childcare assistance;
  - 8.3 continuing the Working for Families review to support work incentives (i.e. make work pay) and reduce child poverty;
  - 8.4 continuing the debt to Government work programme;
  - 8.5 exploring options on changes to hardship assistance settings;
  - 8.6 work to address the findings of the Active Labour Market Programme review
  - 8.7 exploring the further expansion of MSD employment products and services particularly to older people and those not on a benefit

- 8.8 extending the period a recipient of Supported Living Payment can work for 15 hours or more a week;
  - 8.9 implementing the first steps of the Social Sector Commissioning Action Plan;
  - 8.10 exploring how MSD can better support young people exiting Oranga Tamariki care to independence
  - 8.11 starting work on improving uptake of Accommodation Supplement as a first step of the Accommodation Supplement review
  - 8.12 implementing the 10 actions from the Emergency Housing System Review
  - 8.13 continuing to make changes at Service Centres to improve accessibility and client experience
- 9 **Note** that my key initiatives over the next 1 to 3 years include beginning work on:
- 9.1 introducing the Welfare Overhaul Bill to reset the foundations of the welfare system
  - 9.2 embedding the Māori values framework across MSD
  - 9.3 exploring opportunities to align youth rates with those of other main benefits
  - 9.4 improving access to income support for those in split and shared care arrangements
  - 9.5 exploring the further expansion of MSD employment products and services
  - 9.6 exploring relationship definitions and unit of entitlement with a focus on those who are unable to work and alignment to the New Zealand Income Insurance Scheme
  - 9.7 increasing rates and expanding eligibility to Child Disability Allowance and Disability Allowance
  - 9.8 explore how to improve the effectiveness of the Steps to Freedom grant
  - 9.9 resuming the review of obligations and sanctions that impact child wellbeing
  - 9.10 progressing the broader Accommodation Supplement Review, including an area boundary review

- 10 s 9(2)(f)(iv) [REDACTED]
- 11 **Note** that I directed MSD to conduct targeted engagement on the foundations of the welfare system in early 2022
- 12 **Agree** to release the Foundation for Change targeted engagement findings report
- 13 **Note** that I intend to release the advice from Ngā Mātanga Māori on a proposed Māori values framework for the welfare system
- 14 **Note** that I intend to report back and seek agreement on policy decisions ahead of the introduction of a Welfare Overhaul Bill in 2024.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment

## **Appendices**

Appendix One: The Welfare Expert Advisory Group's (WEAG) recommendations and progress to date in alignment with these recommendations

Appendix Two: Ngā Mātanga Māori Values Framework and Critical Shifts

Appendix Three: Overview of key investments to overhaul the welfare system since 2017

Appendix Four: Targeted Engagement Findings Report