

Report



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Date: 02 May 2024 **Security Level:** IN CONFIDENCE

To: Hon Louise Upston, Minister for Social Development and
Employment

File Reference: REP/24/5/387

Key Components of the Proposed New 26-Week Review for Jobseekers

Purpose of the report

- 1 This report seeks agreement to key components of a new mandatory 26-week review for jobseekers.

Executive summary

- 2 You have asked the Ministry of Social Development (MSD) to deliver on the Reducing Benefit Dependency Priorities, including a reapplication for jobseekers every 26 weeks, by July 2025.
- 3 We recommend achieving your intention by introducing a new mandatory review process for all clients in receipt of Jobseeker Support.
- 4 The 26-week mandatory review will include the components of the current 52-week reapplication (confirming eligibility and an employment conversation) but provides more flexible options for satisfying them. This will allow clients to satisfy components of their review by utilising other points of engagement with MSD that are deemed to satisfy the requirements, while also maintaining a minimum expectation.
- 5 Taking this approach will ensure clients are engaging more often, reduce duplication of effort for staff and clients, and free up frontline resources for high-value interventions like the 26-week review.
- 6 There are additional efficiencies to be gained by replacing the current 52-week reapplication process for Jobseeker clients with the new mandatory review process. This would place Jobseeker clients on a periodic review cycle

every 26 weeks, for the entire duration of their benefit receipt. We seek your agreement in principle to this approach, noting that we will provide you with further advice in May 2024.

- 7 Introducing both the proposed 26-week mandatory review and replacing the 52-week reapplication with the same process supports MSD's work to achieve the Jobseeker reduction target. Maintaining the current approach for 52-week reapplications on top of the proposed 26-week mandatory review will occupy a significant amount of frontline staff time and crowd out capacity for employment-focused engagements.
- 8 We are currently undertaking more detailed design work and will provide further advice in May 2024.

Recommended actions

It is recommended that you:

- 1 **Agree** to include a new review power into the Manifesto Priorities Bill authorising the Ministry of Social Development to require a mandatory comprehensive review of Jobseeker Support every 26 weeks
AGREE / DISAGREE
- 2 **Agree** to introduce a new mandatory requirement for a 26-week review that:
 - 1.1 applies to clients on Jobseeker Support from 1 July 2025, AND
 - 1.2 has flexibility to extend to additional cohorts as resourcing allowsAGREE / DISAGREE
- 3 **Agree** that a mandatory review every 26-weeks will be comprised of the following components:
 - An eligibility check
 - a review of, and/or setting of appropriate activities in line with work; and
 - an appropriate employment engagementAGREE / DISAGREE
- 4 **Agree** in principle that MSD may deem that clients have satisfied elements of the mandatory review through other engagements
AGREE / DISAGREE
- 5 **Agree** in principle to replace the current 52-week reapplication process for people receiving Jobseeker Support benefit with a mandatory review
AGREE / DISAGREE

- 6 **Note** that further advice is required on the detail of replacing the 52-week reapplication given the complex interactions with Jobseeker expiry dates and regrant of benefit, and that further advice will be provided in late May ` 2024
- 7 **Note** these two powers (in recommendations 1 and 3) will require amendment to the Social Security Act 2018 to provide the authority to require them on a mandatory basis and other consequential changes to allow for flexibility to allow for the requirements in the review to be met in other ways
- 8 **Note** that we will provide further advice on detailed design features for 26-week reviews by late May 2024.

Leah Asmus
Policy Manager
Welfare System and Income Support

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Background

- 9 To deliver on the Government's priorities, the Ministry of Social Development (MSD) have been exploring the policy and operational options to increase the frequency of reapplications for jobseekers to every 26 weeks.
- 10 Currently clients on Jobseeker Support (JS) and Sole Parent Support (SPS) complete a reapplication for benefit at 52-weeks. There are two components, an eligibility check (via a reapplication form) and an employment engagement which also functions to check a clients work obligations (via the Comprehensive Work Assessment). The components must be satisfied together (i.e. are coupled) at a client's 52-week reapplication appointment for them to remain entitled.
- 11 The current 52-week reapplication currently requires the equivalent of 70 FTE at a cost of \$4.55 million per year. We modelled the impact of increasing the frequency of the reapplication to every 26-weeks and projected an increase in the resourcing requirement to 119 FTE. Therefore, if there is no funding for additional resourcing, this additional capacity will need to be created through a different approach to the reapplication process or shifted from other areas of the system.
- 12 In March 2024, we provided you with high-level advice in REP/24/2/223 *Delivering on Your Priorities* noting there were three options for implementing a mandatory 26-week review:
 - a direct 'lift and shift' of the current 52-week reapplication through a regulatory amendment
 - a direct 'lift and shift' of the current 52-week reapplication through changes to both primary legislation and a regulatory amendment
 - a 'decoupling' option introducing a mandatory review into the Social Security Act 2018 (SSA) through primary legislation change and allowing the components of the reapplication to be fulfilled through or at other engagements with MSD at points during a client's current benefit term, rather than during one bespoke appointment.
- 13 We advised that a direct lift and shift would be resource intensive, costly to the business to implement and crowd out opportunities for high-value employment activities.
- 14 For example, requiring all clients in active case management to go through the process would take ~60,000 hours, which could be better used on those not actively in case management. We recommended the 'decoupling' option to increase efficiencies, reduce duplication of effort and target resources more effectively to delivering high-value engagements.

- 15 You agreed to explore that option, and to receive further advice on design and implementation.
- 16 Your office has asked MSD to bring forward timeframes and deliver a subset of the Reducing Benefit Dependency commitments by 1 July 2025. A truncated timeframe will have MSD working at pace to begin implementation, and it will likely require phasing.

The 26-week review to apply to clients on Jobseeker Support

- 17 The government's Reducing Benefit Dependency commitment stated that 26-week reapplications would apply to jobseekers. Given that commitment and the Jobseeker Reduction target, we are recommending the new review power applies to clients in receipt of JS.
- 18 The proposed legislation will allow for MSD to extend the 26-week review to additional cohorts as the projected efficiency gains are realised and our resourcing can support the increased caseload. There would then be choices about the nature and implementation of interventions for clients further from the labour market and with more complex needs.
- 19 We are currently exploring options for phasing in subsets of the cohort (e.g., Jobseeker-Work Ready) dependent on system capability and resourcing constraints.

Establishing the power for a mandatory review at 26-weeks, with flexibility to bring in additional cohorts as resourcing allows

- 20 Current legislation enables MSD to bring in clients for a review of benefit at any point in their benefit term on a discretionary basis (ss304-306 of the SSA). s 9(2)(h)
- 21 The current legislative framework for the 52-week reapplication means that specified benefits expire 52 weeks after the benefit is granted. To continue receiving financial assistance from MSD, a client must reapply.
- 22 The Social Security Regulations 2018 (SSR) set the expiry date (regulation 187) and the requirements for regrant (regulation 190). Regulation 190 imposes limitations on any process changes made to the current system. In taking a decoupling option we do not recommend replicating these provisions for 26-week reviews.
- 23 As such, a new power will need to be included in the SSA allowing MSD to undertake a mandatory review of benefit at or by 26 weeks.
- 24 The new provision would enable MSD to set appropriate consequences for non-compliance at 26-weeks linked to the individual components of the

review requirements. We will provide you further advice on the consequences for non-compliance at the 26-week review. We are currently exploring consequences for:

- Non-engagement with eligibility check: suspension and cancellation of benefit
- Non-compliance with employment engagement and/or activity setting and monitoring: obligations failure.

25 To support the future application of this requirement, the SSA would need to include an enabling provision to extend the requirement to additional cohorts, or for additional circumstances in the SSR.

We recommend establishing the power to exempt some individuals from 26-week reviews or for them to satisfy the requirement through other activities

26 The 26-week review would apply to all clients currently receiving JS. We propose to provide you with further advice on opportunities for MSD to allow for exemptions in some circumstances.¹

27 MSD is exploring how these clients will transition back into the review pool when their exemption ends and will provide you with advice on these clients as we agree on more detailed design elements.

Flexibility will allow for clients to be deemed to have met the 26-week review requirements in other ways

28 The current 52-week reapplication has two mandatory components currently delivered together during one appointment and defined in legislation as:

- An eligibility check (currently completed through a reapplication form and any other supporting evidence required), and
- An employment conversation (defined in the regulation 189 for the 52-week reapplication as the Comprehensive Work Assessment).

29 The current 52-week reapplication process requires all clients to have an appointment with MSD which is generally in person for those people with work-test obligations and on the phone for all others. This includes people that MSD is regularly engaging with, for example those in active case management.

¹ Limited to extenuating circumstances e.g., Regulation 189 which covers circumstances such as being in residential care, state of emergency or where an epidemic notice has been issued, as in response to COVID-19

- 30 The 26-week mandatory review will cover an additional component, which we expect to be covered concurrently with the employment conversation (which is not explicitly covered in the current 52-week reapplication):
- Activity setting, monitoring, and tracking (work obligations), for greater integration with the Traffic Lights System.
- 31 We are recommending flexibility to allow a client (supported by system rules and design) to satisfy some or all of the requirements for the 26-week mandatory review through previous engagement with MSD that is suitable to satisfy the legislative requirements of the 26-week review.
- 32 Clients who do not fulfil all the components of their review by their 26-week review point would be mandated to complete any remaining parts of the requirement. This retains the policy intent of ensuring clients are engaging often, while reducing duplication of effort and freeing up frontline resources for high-value employment engagements.
- 33 MSD is currently exploring possible cohorts who could be considered to have fully met their requirements of the review in other ways. One possibility being explored is whether clients in dedicated case management could be considered to be fulfilling the requirements completely.
- 34 As noted earlier, MSD currently has ~60,000 clients in dedicated case management who regularly attend appointments to support them into employment. Case managers have ongoing conversations with these clients surrounding their eligibility, obligations and opportunities centred on obtaining employment (generally every 28 days).
- 35 Other engagement points, such as where eligibility is tested when a client applies or reapplies for supplementary or hardship assistance (within a reasonable timeframe), could satisfy part of the requirements. We will provide you with further advice on this.
- 36 There are other opportunities to recognise existing activities to satisfy the employment component of the review. We have begun implementing new and more frequent employment engagements with clients enrolled work focused seminars. We are exploring the potential to use these or activities of a similar nature to satisfy the employment portion of the review.
- 37 A wider range of employment engagements may be possible as we expect frontline staff capacity to increase due to movement towards the JS Reduction Target. This additional capacity would ensure staff are having high-value engagements with clients for their 26-week review.

System re-design is needed to maximise efficiency gains in the 26-week review

- 38 Efficiencies in the proposed process for the 26-week mandatory review will come from allowing the components of the review to be completed at any point in a client's benefit term, within a specified timeframe (i.e. the maximum length of time we will consider a client's information up to date) and by allowing other relevant engagements to count towards the overall requirements. This will reduce duplication of effort and focus client interactions with MSD on components that have not been addressed elsewhere.
- 39 To facilitate this, the system will need to be able to track where the client has completed the respective components through other relevant engagements, and the legislation will need to provide the basis for when it is appropriate to do this. We are exploring the use of automation and automated decision making (ADM) to further reduce administrative burden and streamline the review process.
- 40 MSD is still working through options for consequences associated with non-compliance and will provide advice in the advice in late May 2024.
- 41 Additionally, ongoing work to implement the other manifesto commitments highlights the need to view the commitments in tandem and carry out system improvements concurrently to maximise impact.

We want to explore replacing 52-week reapplications through legislative and operational changes

- 42 The proposed parameters for the 26-week mandatory review provide an opportunity to improve MSD's engagements with clients and focus our resources on having high-value work focused conversations. This approach will ensure we are improving client outcomes by supporting more clients into work and moving towards the Jobseeker Reduction Target.
- 43 As noted earlier, the current 52-week reapplication process currently takes approximately 70 FTE to administer. We are interested in exploring the opportunity to improve the current 52-week reapplication for Jobseekers to achieve the same outcomes as the proposed 26-week mandatory review.
- 44 Replacing the current 52-week reapplication with the same mandatory review process as outlined earlier will maximise efficiencies. Aligning the requirements of both engagements will ensure greater clarity for clients surrounding their obligations and expectations and streamline training for staff through the transition period. This proposal also offers MSD a greater chance to redirect frontline staff to employment-focused engagements, to support achievement of the Jobseeker reduction target.

- 45 There is further work required to scope the impacts of removing the requirement for reapplication (e.g. removing the expiry date and requirements for regrant) but we will ensure consequences for non-compliance remain appropriate. As part of this work we will be careful to ensure that any reforms maintain the policy intent that benefits should be seen as temporary support.
- 46 To explore these impacts and impacts on the business we are seeking your agreement in principle to replace the current 52-week re-application process with the new proposed mandatory review process, and we will provide further advice in late May 2024 to achieve this.

A 1 July 2025 Go Live will see improvements to system capability

- 47 MSD has assessed that a first tranche of system changes to enable the reviews efficiencies (e.g. reducing duplication of effort) is possible by 1 July 2025.
- 48 At implementation, system capability could allow a system driven review of the review components (e.g. an eligibility check; a review of, and/or setting of work-test or work-preparation obligation; or a tailored employment engagement), so that a client's review activity at 26-weeks will only cover the unchecked components. Frontline staff will then only administer the 26-week appointment for those cohorts who have been flagged by the system as not fulfilling the components of the review.
- 49 The new system capability will streamline the client's experience, apply a more tailored approach through IT system capabilities and allow MSD the flexibility to focus our resources on specific cohorts by need or by targeting. It allows greater integration with other elements of the Reducing Benefit Dependency commitments such as the Traffic Light System and components of Welfare That Works.
- 50 The delivery timeframe for IT changes is 13 months, with business requirements needing confirmation by June 2024. This will require your decisions on this advice by 6 May 2024, and on subsequent advice by 3 June 2024 to ensure we can deliver a 26-week review by 1 July 2025.

Next steps

- 51 We intend to provide you advice on additional detailed design features and components by the 27 May 2024 including:
- 51.1 Options for phasing in subsets of the Jobseeker cohort
 - 51.2 What will happen to clients if they do not comply with the components of the 26-week review

- 51.3 Alternative ways that clients can satisfy the requirements for review
 - 51.4 Maximum timeframes in which MSD will consider information valid to satisfy the requirements before the 26-week mark
 - 51.5 The potential use of automation in the process, and the synergies with MSD's Automated Decision Making (ADM) workstream
 - 51.6 Advice on replacing the current 52-week re-application process
 - 51.7 Implementation detail including costs, trade-offs and resource implications.
- 52 Your decisions will inform the Cabinet Paper delivering on the Manifesto Priorities Bill, scheduled to be lodged July 2024.

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