

Report



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

Date: 5 June 2024 **Security Level:** IN CONFIDENCE
To: Hon Louise Upston, Minister for Social Development and
Employment
File Reference: REP/24/5/478

Detailed Design of the 26-Week Reapplication for Jobseeker Support

Purpose of the report

- 1 This report seeks your decisions on the detailed design of the 26-week reapplication for clients receiving a Jobseeker Support benefit.

Executive summary

- 2 You have asked the Ministry of Social Development (MSD) to deliver a 26-week reapplication for jobseekers. The intent of the reapplication is to signal that benefits are temporary, to create a requirement for clients to engage with us regularly and confirm that clients remain eligible for benefit. The design details in this report support the intent and build on the high-level design you agreed to on 20 May 2024 (REP 24/5/387 refers).
- 3 In response to your feedback on our initial design proposal, we are now proposing to implement this proposal by bringing forward the expiry date for Jobseeker Support from 52 to 26 weeks. This report reflects this change to the design and addresses the flow-on effects from this decision. It also outlines legislative and operational implications and Benefit or Related Expenses (BoRE) costs over time.
- 4 Under this proposal from 1 July 2025, Jobseeker Support clients will be moved from a 52 week expiry to a 26 week expiry and the current 52-week reapplication process will be replaced by a 26-week reapplication process. These changes will see Jobseeker Support clients new on benefit with an expiry 26 weeks from their commencement date. Clients who are already getting Jobseeker Support on 1 July 2025 would move to the new regime on the date of their next 52-week reapplication. We have maintained the expiry

date for Sole Parent Support (SPS) at 52-weeks, as you have indicated your focus of the reapplications is on jobseekers. SPS client's reapplication process will not undergo any changes under this proposal.

- 5 We will retain the current legislative framework surrounding expiry and regrant but introduce more flexibility into the reapplication process to reach the efficiency gains needed to manage the more frequent reapplications. The 26-week reapplication will consider existing points of engagement with MSD to satisfy the components of the reapplication. This is to reduce the volume of clients required to attend a reapplication appointment and create capacity for frontline staff to have higher quality employment engagements. These existing points of engagement can count as 'proxies' for their associated reapplication components.
- 6 Jobseeker Support clients with a review of annual income (sole parents on Jobseeker Support and grand-parented clients) are currently unable to be included in the 26-week reapplication process due to the nature of the income assessment period (52 weeks) [REP 24/2/223 refers]. This issue can be addressed by: removing the affected cohort's review of annual income, moving the cohort to a different benefit or excluding the cohort from the reapplication all together. We have presented these options in detail for your consideration.
- 7 We are seeking your agreement to the detailed design elements, and necessary amendments to the Social Security Act 2018 and associated Regulations to support the implementation of the 26-week reapplication. We also need your decision on an option to address a cohort who currently have annual income assessments, as outlined above at paragraph 6. To meet your 1 July 2025 implementation timeline, we require your decisions by 13 June 2024.

Recommended actions

It is recommended that you:

1. **agree** to remove the 52-week expiry date for Jobseeker Support clients and replace it with a 26-week expiry date

AGREE / DISAGREE

2. **agree** that the change as in Recommendation 1 will not apply to clients on Sole Parent Support (SPS) and the expiry date for this cohort will remain at 52-weeks

AGREE / DISAGREE

3. **agree** to amendments to the Social Security Regulations 2018 setting out the requirements for regrant of Jobseeker Support to give effect to the 26-week reapplication components

AGREE / DISAGREE

4. **agree** that the current framework for exemptions and extensions as applied to the current 52-week reapplications will be maintained for the 26-week reapplication

AGREE / DISAGREE

5. **agree** to amendments to the Security Act 2018 and associated Regulations to enable MSD to 'deem' that a client has satisfied their requirements for reapplication (in full or part) by utilising existing engagements, so long as the engagements meet the definitions

AGREE / DISAGREE

6. **note** that in order to complete the reapplication process, a client must complete the requirements for reapplication and confirm their reapplication with MSD

7. **agree** that MSD will consider proxies valid for eight-weeks prior to the start of a client's notice period, and during the notice period up until a client's 26-week reapplication (recognising any appropriate proxies the client has completed during their notice period)

AGREE / DISAGREE

8. **note** system redesign and automation/Automated Decision Making (ADM) will be used where appropriate to trigger the system-driven review of a client's engagement as per Recommendation 7

Correction: In recommendation 9 below, the current notice period is 20 working days, not 25 working days

9. **agree** that the current notice period (25 working days) that applies to the 52-week reapplication process will apply to the 26-week reapplication process

AGREE / DISAGREE

10. **agree** that clients will shift to a 26-week reapplication process at their next scheduled 52-week reapplication after 1 July 2025 and be subject to a reapplication every 26 weeks thereafter

AGREE / DISAGREE

11. **note** that maintaining an expiry date for Jobseeker Support, and shifting it to 26-weeks creates an issue regarding clients with annual income assessments and a decision is required on how to address the cohort in the reapplication (sole parents and grand-parented clients on Jobseeker Support)

12. **agree** to one of the following options to account for clients with annual income assessments in the 26-week reapplication

- **Option 1 (Preferred):** Remove annual income assessments for Jobseeker Support sole parents and grand-parented clients

AGREE / DISAGREE

OR

- **Option 2:** Move Jobseeker Support sole parent cohort into Sole Parent Support and remove annual income assessments for grand-parented clients

AGREE / DISAGREE

OR

- **Option 3:** Exempt Jobseeker Support sole parent cohort and grandparent clients with annual income charging from expiry and reapplication

AGREE / DISAGREE

13. **note** there are considerations surrounding fairness under the Bill of Rights Act 1990 from maintaining two different reapplication regimes for Jobseeker Support and Sole Parent Support which we have scoped and consider can be justified.

Leah Asmus
Policy Manager
Welfare System Policy

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Background

- 8 In May 2024, you agreed to replace the current 52-week reapplication with a new 26-week reapplication for clients on Jobseeker Support benefits by 1 July 2025 [REP/24/5/387 refers].
- 9 You asked for our original proposal for a 26-week mandatory review to be pivoted to a 26-week reapplication, and to move the expiry date for Jobseeker Support to 26 weeks.
- 10 MSD has developed a detailed design to accommodate this decision, as well as your other decisions to date, including:
 - the reapplication applying to clients on Jobseeker Support (JS)
 - the components of the reapplication to include an eligibility check, a review of and/or setting of appropriate activities in line with their work obligations, and an appropriate employment engagement
 - in principle, MSD could deem clients to have satisfied components of the reapplication through other engagements
 - in principle, the current 52-week reapplication would be replaced.
- 11 You also agreed to receive further advice on detailed design features, impacts of shifting to a 26-week cycle and implementation detail including costs, trade-offs and resource implications.

Allowing for reapplication components to be met elsewhere will allow MSD to apply the requirement to the Jobseeker Support (JS) cohort

- 12 The intent of the reapplication is to signal that benefits are temporary and to create a requirement for clients to engage with us regularly. MSD would not be able to support the requirement for the reapplication at 26 weeks for the entire JS cohort without introducing efficiencies into the process. A key feature of the design is allowing clients to satisfy the components of the reapplication through other engagements with MSD.
- 13 This approach will reduce the volume of clients who are required to attend a reapplication engagement at 26-weeks to a manageable level and allow us to:
 - 13.1 engage with more people overall, allowing MSD to focus on those who have not had other forms of engagement
 - 13.2 engage more regularly with clients – every 26 weeks at a minimum

- 13.3 deliver more targeted and meaningful engagements, building on relevant interactions with MSD.

Better targeting of the reapplication to clients not actively engaging with MSD

- 14 You have agreed in principle that a client may be deemed to have satisfied components of the reapplication through other interactions with MSD. Applying the 26-week reapplication requirement to the whole JS cohort will allow MSD to engage with any clients who have not had regular interactions with MSD leading up to their 26-week reapplication. This allows us to focus on those that in the past have had less interaction with MSD.
- 15 A system-driven review will track and recognise existing, up-to-date information about how a client is engaging with MSD and ensure all clients are meeting minimum levels of engagement. Clients will be sent a 'notice to reapply' 21 weeks after their commencement date (or 25 working days before the expiry date) detailing their requirements for reapplication.
- 16 The requirements of a client's reapplication at 26 weeks will be dependent on the components of the reapplication that are yet to be completed. As such, there are four types of reapplications MSD will see (see Appendix One):
- Clients who have satisfied none of the components of the 26-week reapplication (no proxies met) will be required to reapply and both test their eligibility and have a conversation about employment, including their job search.
 - Clients who have satisfied some of the components for the 26-week reapplication (employment or eligibility proxy met) will be required to confirm their reapplication and satisfy their remaining component(s).
 - Clients who have satisfied all of the components for 26-week reapplication (all proxies met) will be required to confirm their reapplication through a designated channel (through MyMSD, over the phone, or in person).

Managing volumes through recognising previous engagements with MSD

- 17 We have limited frontline resources to manage reapplications¹. Duplicating the current reapplication process at 26 weeks would have required an

¹ There are currently 190,678 clients on JS. In 2023/2024 staff completed 136,477 52-week reapplication appointments. Duplicating the reapplication process would add an additional volume of ~16,000 applications per month.

additional 119 FTE to manage the additional (~159,000 reapplication appointments). Your agreement to the ability to use proxies to meet the components of the review as discussed above will result in a reduction in the number of clients required to attend a specific reapplication engagement (e.g. one-on-one appointment) by ~139,000 which is equal to 47% of estimated future reapplications².

- 18 This reduction in one-on-one appointments will mean a reduction of 41% in staff time used to administer reapplications. This will free up staff capacity to ensure existing employment conversations are more meaningful and targeted and to carry out valuable engagements at the 26-week reapplication. It also ensures we can apply the requirement to the whole JS cohort without the need for phasing at 1 July 2025.
- 19 It is expected that the volume of people moving onto JS will increase considering the downturn in the economy, which will likely increase overall volumes soon. We are anticipating the 26-week reapplication, alongside the other Reducing Benefit Dependency policies to work to mitigate this rise in benefit numbers.
- 20 To further streamline reapplications, the current 52-week reapplication process will be replaced, and the 26-week reapplication will occur every 26 weeks. Maintaining the current 52-week reapplication would reduce any efficiency gains we see with the 26-week reapplication process. Additionally, the system is unable to retain two separate processes applied to the same cohort (e.g. a 26-week reapplication and a 52-week reapplication as it currently is operationalised) and it would create inconsistencies for clients and undue complexity in the system.

MSD has defined the reapplication components to determine appropriate proxy components

- 21 MSD has determined 'other' engagements that can satisfy the reapplication components. For simplicity, MSD refers to the 'other' engagements as 'proxies'. We have determined appropriate proxies' by testing each proxy against defined criteria for each component and the relevant legislation.

² These are forecasted numbers and may change. They are reflective of forecasts from July 2026-June 2027. July 2025-June 2026 is not representative of the full demand profile as the modelling assumes clients will not start their 26-week reapplication cycle until their 52-week reapplication after July of 2025.

- 22 We previously advised that obligations would be considered as a separate component of the reapplication (i.e. would have separate proxies and be treated as being satisfied at a stand-alone engagement). However, our design work has indicated that obligations and activity setting are likely to be covered concurrently through either the eligibility and/or employment components of the review. We therefore have increased the flexibility in the definitions to enable the obligations component to be included at either of these engagements. All JS clients will also reconfirm their obligations as part of completing the reapplication process.
- 23 **Table 1** shows the definitions for both reapplication components (eligibility check and employment engagement) and an example of a proxy for each. Obligations review or setting is included with each of those two components.
- 24 Legislating for the criteria of each component, but not specific engagements provides the flexibility to add or remove proxies as MSD's offering grows or changes over time. This is particularly relevant in the employment space as MSD's approach to employment services is dynamic as to respond to the needs of our clients.
- 25 We have also identified opportunities to strengthen current practice across certain MSD engagements so that every interaction is an opportunity to discuss employment and a client's obligations.
- 26 Any relevant proxy engagement that a client has within eight weeks of their notice to reapply will be considered to satisfy the corresponding component of the 26-week reapplication. Eight weeks is generally accepted as a reasonable window to consider information up-to-date across a range of MSD products and services³. When a client is sent their notice to reapply at 21 weeks, the system will check for any proxies completed in the eight weeks prior and determine what components the client still needs to complete.
- 27 MSD will also check if a client has completed any of the proxies during their 20-working-day notice period and reconfirm what the client still needs to complete before their expiry date. This extends the window of time proxies are generally considered to approximately 13 weeks. See Appendix Two for a timeline of the reapplication period.

³ For example in the social housing space, for the purposes of Income Related Rent a change that is likely to last or has lasted less than eight-weeks is temporary, while eight-weeks or more is considered a permanent change.

- 28 Defining the period in which proxies can be considered relevant for the reapplication process balances efficiencies of streamlining the reapplication process with the need to ensure there is sufficient integrity in the benefit system by consistently checking a client is meeting their eligibility requirements and checking on their compliance with their obligations. It also ensures clients are receiving their correct entitlement and that the incidence of debt to MSD is limited.
- 29 We previously advised we were scoping the potential for clients enrolled in dedicated case management and regularly engaging with their case manager to be considered to have met all components of the reapplication. We have assessed the robustness of our current work-focused case management process and are satisfied that these clients have frequent engagement covering the reapplication components. These clients would complete their reapplication process by confirming with their case manager that they had met the components of the reapplication and that they want to reapply for JS.

Table 1. Definitions for Component Proxies

Reapplication Component	Definition	Example Proxy
Eligibility Check	<p>Core Eligibility Criteria: To ensure a person is eligible for JS and is receiving the correct rate of payment (includes: income, age, number of children, relationship status)</p> <p>Jobseeker Specific Eligibility⁴: To ensure a person is available for and seeking full-time employment, willing and able to undertake it</p>	Client has applied for social housing. This is completed with staff discussing the application with the client and gaining a full picture of their circumstances (Core Eligibility Criteria)

⁴ The two components for eligibility for Jobseeker will generally be tested separately. Core eligibility can be tested through a number of other engagements with MSD, such as applying for other types of assistance or notifications regarding changes in circumstances. Proxy engagements for testing core eligibility will be considered for automation. The specific eligibility for JS concerning a client’s readiness for employment will be tested where appropriate (for example, as part of employment engagements). Specific eligibility criteria and ineligibility criteria will be confirmed for all JS clients as part of the reapplication process.

	and has taken reasonable steps to find it *Using every engagement as an opportunity to discuss obligations: Setting or checking of progress on approved activities (where appropriate) as part of a clients general and specific obligations	
Employment Engagement	An engagement to help people prepare for, find or retain suitable paid employment *Using every engagement as an opportunity to discuss obligations: Setting or checking of progress on approved activities (where appropriate) as part of a clients general and specific obligations	Client has participated in the Job Search Line⁵

Proxies for the eligibility check

- 30 MSD has identified a range of proxy engagements that are also applicable to the eligibility criteria for JS and so could be considered relevant and appropriate for the purpose of the reapplication components.
- 31 For the purposes of the reapplication, there are two parts to the eligibility criteria for JS. These are the core eligibility criteria and the specific criteria, as covered in the table above. We are exploring the use of automated decision

⁵ The Job Search Line allows people to call when they see a vacancy listed on our Find-a-Job website in which they wish to register their interest in. Employment Support Representatives (ESRs) will screen candidates for positions and send their details, CV and a blurb explaining why they would be a good fit. ESRs can also update Jobseeker Profiles to allow candidates to be matched with jobs when they search the system. They also provide support and guidance to job seekers looking for and ready to get into employment

making (ADM) to recognise proxy engagements suitable to cover the core eligibility criteria. We will provide you with additional advice on the use of ADM in the 26-week reapplication at a later date.

- 32 Specific JS criteria (related to a client being available for and seeking full-time employment) may be tested through the employment engagements and other points at which the client engages with MSD (as practice changes are developed and implemented). Specific eligibility for JS criteria also includes ineligibility criteria which will be confirmed for all JS clients as part of the reapplication process.
- 33 There may be instances where we are satisfied one proxy covers both parts of the eligibility criteria or when a client completes two separate proxies that satisfy each eligibility part separately. In those cases, the reapplication could be streamlined through the use of automation and ADM in this process. A client will still need to confirm their eligibility and obligations as part of their reapplication form but the ability to automate parts of the reapplication process is key to enabling efficiencies.

Proxies for the employment engagement

- 34 MSD has assessed our current employment services and identified a range of engagements that could be considered appropriate proxies for the employment components of the reapplication process.
- 35 Our current employment programme is targeted towards engagement with clients new on benefit. As the notice of reapplication occurs at 21 weeks, there are a number of employment engagements that we discounted as relevant for the reapplication process due to timing issues (e.g. clients must attend Kōrero Mahi Let's Talk Work Seminars in the first two weeks of coming onto benefit). However, other engagements can happen at any time such as when a client contacts the Job Search Line or applies for specific financial assistance to help with the cost of employment-related education and training. We are considering the use of ADM for these proxies so that clients with a relevant employment engagement will be deemed to satisfy that component of the reapplication process without the need for an additional employment engagement with MSD.
- 36 We are currently exploring how to strengthen practice in a range of other employment interventions in order to ensure robust and targeted conversations are happening at every opportunity when a client engages with MSD.

A client must reapply before their 26-week expiry

37 The nature of the reapplication may look different for different clients. **Table 2** details the reapplication requirements of common client scenarios.

Table 2. 26-Week Reapplication Scenarios

Remaining component/s	Action required from client
Only eligibility	Client must complete a form confirming their eligibility and confirm they wish to reapply for Jobseeker Support
Only employment	Client must attend a one-to-many employment seminar, a one-on-one appointment or another engagement of a type identified by MSD and confirm they wish to reapply for Jobseeker Support
None of the components satisfied	Client must attend a one-to-many employment seminar, a one-on-one appointment or another engagement of a type identified by MSD. Client must also complete a form confirming their eligibility and confirm they wish to reapply for Jobseeker Support
All of the components satisfied	Client must confirm they have not had other changes in circumstances and that they wish to reapply for Jobseeker Support

- 38 Clients will be sent their notice to reapply at 21 weeks detailing their requirements for reapplication. The clients will retain the same response period as the current 52-week reapplication (20 working days prior to expiry date). This is the period of time they have to satisfy any remaining components of the reapplication through the channels MSD has deemed appropriate. This maintains clear communication of expectations.
- 39 Clients will be informed that if they do not complete the components of the reapplication (without obtaining an exemption or extension), their benefit will expire. The associated activities that may resolve the remaining components have been designed to streamline the reapplication process for both MSD and the client.

- 40 In order to complete the reapplication process, a client must complete all of the components **and** confirm their reapplication with MSD. Confirming their reapplication may involve completing a reapplication form or confirming the information MSD already holds regarding their satisfaction of the components for reapplication and that they wish to reapply.
- 41 Part of a client confirming their reapplication with MSD will be confirming their acknowledgement of their general obligations as a JS benefit recipient, and the requirement to be available for and seeking full-time employment (JS specific eligibility criteria)⁶, similar to the current reapplication form. In practice this means that though we anticipate a client's obligations and JS specific eligibility to be covered regularly, MSD can be satisfied that a client is aware of and has agreed to their obligations and meets the eligibility criteria.
- 42 Requiring clients to confirm their reapplication means that though a client may have been deemed to satisfy their requirements for reapplication at some time in the last 13 weeks, they will be required to engage with MSD at (or around) their 26-week anniversary, ensuring maintain a minimum standard of engagement.
- 43 If a client fails to make contact with MSD in the required time frame (i.e. during the 20-working-day notice period before their benefit expiry) to reapply before their benefit expiry, MSD will suspend and subsequently cancel the client's benefit, as with the current 52-week reapplication process.

Targeting specific components of the review to client circumstances

- 44 We are currently exploring targeting the reapplication more appropriately for clients with specific circumstances and only requiring them to satisfy relevant components of the reapplication. In effect, these subgroups could be exempt from specific components of the review due to their specific circumstances.
 - 44.1 For example, a client getting JS on the ground of health condition, injury, or disability (JS-HCD) who is unable to work due to a health condition but has full-time employment and a confirmed return-to-work date (full-time work) could be exempted from having an employment engagement. This client has a job to return to and thus there would be no value in that conversation with MSD. They would, however, be required to confirm their eligibility and be reminded of

⁶ Some JS clients (e.g. some JS-HCD recipients) do not have the obligation to be seeking work due to the nature of their benefit type and their obligations.

their work-preparation obligations at some point before their 26-week reapplication.

- 45 We will look to provide further advice on targeting specific components of the review in late 2024.

We recommend continuing the current framework for exemptions and extensions as some clients have exceptional circumstances

- 46 We recommend applying the current framework for exemptions and extensions as applies to the current 52-week reapplication process for the 26-week reapplication. In practice this means that there are very limited circumstances where a JS client does not have to reapply at 26 weeks.
- 47 This continues to recognise that some clients have exceptional circumstances that mean they are unable to complete the process within the standard timeframe. This maintains trust between clients and the welfare system.

There are five current exemptions from JS reapplications

- 48 We recommend that current exemptions from expiry that apply to 52-week reapplications (specified in the Social Security Regulations 2018, Regulation 189) also apply to the 26-week reapplication. Those are:
- 48.1 The beneficiary is a patient in hospital care (within the meaning of section 4(1) of the Health and Disability Services (Safety) Act 2001)
 - 48.2 The beneficiary is in residential disability care or rest home within the meaning of that section
 - 48.3 The beneficiary resides in, or is present in and cannot reasonably leave, an area in respect of which a state of local emergency or a state of national emergency is in force
 - 48.4 The beneficiary resides in, or is present in and cannot reasonably leave, an area that is or may be affected by an outbreak of a quarantinable disease in respect of which an epidemic notice has been given, and is in force, under section 5(1) of the Epidemic Preparedness Act 2006
 - 48.5 The beneficiary resides in, or is present in and cannot reasonably leave, an area that is or may be affected by any exceptional circumstances other than those prescribed.
- 49 Clients who have been granted an exemption from expiry will maintain their next reapplication at its fixed point in their reapplication cycle when their

exemption is lifted (e.g. there will be no change to their next reapplication point).

There are some circumstances where MSD will provide an extension to the date of a client's reapplication

- 50 If a client has exceptional circumstances that affects their ability to reapply and contacts MSD on or before their expiry date, MSD can extend the period for the client to complete the reapplication process. For 52-week reapplications we currently extend the date of a reapplication by a maximum of 20 working days. We recommend this extension, which currently applies to 52-week reapplications, also apply in the same way to the 26-week reapplication.
- 51 The criteria for considering whether a situation or event is an exceptional circumstance are that it:
- is unforeseen, out of the ordinary and could not be planned for **and**
 - is beyond the client's control **and**
 - sets the client apart from others in a similar situation **and**
 - generally, the exceptional circumstance situation or event must have occurred immediately preceding or on the expiry date
- 52 In these cases clients will undergo their 26-week reapplication within 20 working days after their expiry. They will maintain their next reapplication at the same point in their cycle (i.e. their next reapplication may occur sooner than 26 weeks after their last reapplication, as their reapplication date remains fixed)
- 53 MSD can also provide an extension where a client makes contact to reapply on or before their expiry date, but the process cannot be completed by the expiry date through no fault of the client. In that situation, MSD may extend the date by a maximum of 10 working days.

There are additional considerations and flow-on decisions needed to begin implementation

- 54 Given your decision to maintain an expiry date for Jobseeker Support and require a reapplication for clients, there are flow-ons that require additional consideration, and corresponding decisions.
- 55 We anticipate other flow-ons as we begin implementing the 26-week reapplication and will advise you on those as we proceed.

Transitioning clients onto a 26-week reapplication requires operational and legislative change

- 56 Transitioning to a 26-week reapplication will require legislative change to move the 52-week expiry to 26 weeks.
- 57 We are recommending shifting clients onto the 26-week reapplication at their next 52 week anniversary. They will be subject to a reapplication every 26 weeks thereafter. All new applicants on benefit will have their 26-week reapplication 26 weeks after the commencement of their benefit, and every 26 weeks thereafter.
- 58 Clients whose notice for their 52-week reapplication is sent before the go-live date will complete the usual 52-week reapplication process. They will then move to the 26-week process, with their next reapplication 26 weeks later.
- 59 We acknowledge that this approach could see a client who has had a 52-week reapplication shortly before the implementation of 26-week reapplications with a gap longer than 26-weeks before their next reapplication. We expect these clients to be targeted by increasing use of work check-ins [REP 24/2/223 refers].
- 60 This approach is the least disruptive for clients and is most straightforward regarding MSD's communication of changes with clients. This will also reduce administrative burden of the change by staggering the reapplications.

Additional legislative changes will be needed to support the system re-design

- 61 Shifting clients to a 26-week expiry requires an amendment to Regulation 187 by Order in the Council (ss441) to move the expiry date for specified benefits (but only apply to JS). The expiry date, and associated reapplication process will remain the same for clients receiving Sole Parent Support (SPS).
- 62 Additionally, MSD will need to add a new regulation to update the requirements for regrant for JS and to enable MSD to consider the proxies as satisfying the reapplication requirements.

JS clients with annually assessed income (sole parents and grand-parented clients) will need to be addressed (or excluded) in order to apply the 26-week re-application to them

- 63 Reviews of annual income (due paid assessments) are available for clients on benefits with annual income charging (as opposed to weekly income charging). Clients with annual income charging are Sole Parent Support clients, Supported Living Payment recipients, clients getting JS at a sole

parent rate, and grand-parented JS clients⁷. There are currently 13,221 sole parents on JS, and 57 grand-parented clients (13,278 total).

- 64 While clients receiving these benefit types can opt into weekly income charging, the majority have their income assessed over a 52 week period. Clients in this situation estimate their income for the coming 52 week period. At the end of the period, their income is reviewed to make sure they received the correct rate of payment based on their actual income. Clients do not have an annual income assessment if their benefit has not been abated at any point during the period that income is assessed (the 52 week review period), or they have not received any income during the review period. Currently there are approximately 270 clients with prospective income over the abatement threshold who would be subject to an annual income assessment. We are currently assessing what the financial impact would be on these clients and will provide you with this detail at a later date.
- 65 The current process for the annual assessment of income is a result of a High Court decision⁸. MSD is required by law to assess income against entitlement to benefit based on the commencement date of that benefit.
- 66 In changing to a 26-week reapplication process with an expiry date at 26 weeks, a person's benefit cannot be paid for more than 26 weeks at time. This means they would not get to 52 weeks from their commencement date and the review of annual income would never occur.
- 67 We are therefore unable to apply the 26-week reapplication requirement to clients with annually assessed income and have three options to address this issue. **Table 3** presents the options for considering this cohort.
- Option 1 (Preferred):** Remove annual income charging for the affected cohort
 - Option 2:** Move a majority of the annually income charged cohort from JS to a different benefit type (SPS) and remove annual income charging for grand-parented clients only
 - Option 3:** Exempts the affected cohort from any expiry date and reapplication requirement

⁷ Clients who were receiving Domestic Purposes Benefit – Women Alone or Widows Benefit (with no children or their youngest child at aged 14 years or over) and were transferred to JS on 15 July 2013 as part of Welfare Reform.

⁸ Frances Molloy v Chief Executive of the Ministry of Social Development [2013] NZHC 1233.

Table 3. Options for addressing clients with an annual income assessment

Option	Description	Pros	Cons	Legislation Change
1 Remove annual income charging for JS sole parents and grand-parented clients (Preferred)	<p>This option removes annual income charging for the affected cohort – income would always be charged weekly for all clients getting JS.</p> <p>Either a lump sum, or ongoing payment could be made for a specific period of time for clients who may be disadvantaged by moving to weekly income charging. Note this payment would only be for clients who have had their benefit abated in the last 52 weeks.</p>	<ul style="list-style-type: none"> ▪ Simplifies JS, making it easier for staff to administer and clients to understand. Provides consistency within the JS cohort – all JS clients are treated the same under this regime. ▪ Fewer due paid assessments – frees up staff for higher value engagements ▪ Potential cost-savings ▪ Consistent with the purpose of JS as a temporary, work-focussed benefit 	<ul style="list-style-type: none"> ▪ Clients who don't declare income weekly already will need to do so (could be burdensome for clients with fluctuating income or who have difficulty with online declarations) ▪ Some clients disadvantaged (under annual charging, a client's income is 'smoothed' across a year, meaning short periods of higher income are less likely to abate a benefit over a 52-week period) ▪ Would necessitate the removal of the temporary full-time employment period⁹ 	<p>Primary</p>

⁹ Sole parents and grand-parented clients are able to work full-time for a temporary period (26-weeks) provided their income, when assessed over a 52-week period, does not fully reduce their benefit. This applies most often to clients working in home-based childcare, some sales work

			<ul style="list-style-type: none"> ▪ Potential Bill of Rights and issues concerning differential treatment within sole parent group. 	
<p>2 Move JS sole parent cohort into SPS and remove annual income charging for grand-parented clients</p>	<p>This option transfers the sole parent cohort within JS into SPS. This would retain existing policy settings for JS sole parents and make it a sub-benefit type within SPS (e.g. sole parent clients with children aged 14+ will still have full-time work obligations, study limitations, and the income abatement regime but clients would be receiving SPS instead of JS)</p> <p>JS sole parents would retain annual income charging and 52-</p>	<ul style="list-style-type: none"> ▪ Minimal client impacts as same settings apply ▪ Removal of annual income charging only affects grand-parented clients (minimises disadvantaged cohort) 	<ul style="list-style-type: none"> ▪ The full design for option 1 would still be required for grand-parented clients (increasing complexity with two simultaneous designs) ▪ Dilutes the policy intent for JS and SPS as benefit types (e.g. JS is a temporary benefit focussed on moving clients into full-time employment, SPS eligibility is about children and relationship status, client can be on SPS for years depending on age of youngest child) ▪ Less frequent engagement with JS sole parent cohort, 	<p>Primary</p>

and some self-employed people whose business is struggling or making a loss. This provision was introduced during the 2013 Welfare Reform and intended to ease the transition as clients moved from Sole Parent Support (with no limitation on working hours) onto Jobseeker Support.

	week reapplication when transferred to SPS		<p>despite them being work-ready</p> <ul style="list-style-type: none"> ▪ Flow-ons to consider e.g. consequential amendments to other assistance ▪ If 26-week reapplications are eventually extended to SPS, same issue will need addressing 	
3 Exempt JS clients with annual income charging from the 26-week reapplication process entirely	<p>Sole parent and grand-parented clients would have no expiry date and therefore no requirement to reapply (i.e. continuous benefit).</p> <p>Clients still have a review of annual income but no review of wider eligibility, obligations, or employment engagements.</p>	<ul style="list-style-type: none"> ▪ No clients disadvantaged as annual income charging and temporary full-time employment period retained. ▪ Simple to legislate for. 	<ul style="list-style-type: none"> ▪ No proactive engagement with this cohort means fewer opportunities to support clients into employment, check eligibility or obligations. ▪ More complicated for staff (e.g. different systems for cohorts within JS) ▪ Risks to benefit integrity as no regular checking of eligibility ▪ Potential Bill of Rights issues concerning treatment within sole parent group 	Secondary

68 We recommend Option 1: removal of annual income charging for JS sole parents and grand-parented clients. JS is focused on getting people off the benefit and into full-time work. Annual income charging encourages clients to work full-time only for short periods and spread that income over the year so it is under the abatement threshold. Sole parents on JS are a work-tested cohort, who MSD should be engaging with regularly, to support into employment. Moving clients to weekly income charging encourages moving off benefit and into full-time work for more of the year. It also improves consistency across the cohort, as the whole JS cohort would be subject to the same weekly income charging regime.

69 s 9(2)(f)(iv)

MSD will overall process fewer due paid assessments and Option 1 is thus less administratively burdensome. We anticipate the shift may be disruptive to some clients who are not currently reporting their income weekly but see this as an opportunity to increase points of engagement for these clients, with the disruption smoothing over time (as clients adapt to process changes). This option would simplify the benefit system, generate potential cost savings, and create more capacity for high-value employment engagements.

70 There are currently 270 clients (267 sole parents and 3 grand-parented) with prospective income over the income abatement threshold. These clients would be the cohort subject to an annual income assessment. In Option 1, these clients would be moved to weekly income charging and would likely have their rate of benefit affected. While the cohort is relatively small, we could see some clients disadvantaged by the move to weekly income charging, as these are sole parents, consideration would need to be made to account for the disadvantage. We will provide you with options for mitigating the impact, based on the financial impact modelling we are currently undertaking (refer Paragraph 64). The cost to make the necessary changes in the IT system to support this option is minimal and has been estimated at \$25,000.

71 Moving these clients into SPS or exempting them from reapplications entirely limits the opportunities for proactive engagement with clients to support them in their job search and minimises the intent of the policy. The cost to make the necessary changes in the IT system for these options is high (approximately \$1 million) with no foreseen impacts on client behaviour or off-benefit outcomes.

We are retaining the 52-week reapplication for SPS clients and there may be some flow-on effects

- 72 Considering your focus on Jobseekers, and the Government's Jobseeker Reduction Target, we are progressing on the basis that a re-design the 52-week reapplication (and the addition of a 26-week reapplication) for SPS is out of scope. We can look to explore extending the 26-week reapplication to SPS clients in the future and are looking to build flexibility in the legislation to enable this (noting that the SPS cohort will have the same issue with annual income assessments as discussed for sole parents on JS).
- 73 We acknowledge that the decision to scope out SPS may have flow-on effects for SPS clients who are not being engaged with as frequently as JS clients, including Bill of Rights Act 2018 considerations.
- 74 Unlawful discrimination occurs where there is different treatment between groups on a prohibited ground, that different treatment causes material disadvantage, and that different treatment is not justified.
- 75 Prohibited grounds of discrimination in this context could be:
- family status (including whether the beneficiary has children, and being related to a particular person),
 - age,
 - relationship status, and
 - disability.
- 76 Sole parents whose youngest child is under 14 years old can be eligible for SPS, and sole parents whose youngest child is over 14 can be eligible for JS. SPS clients will, under the current proposal continue to have a 52-week expiry and will also be subject to an annual due paid assessment. Under the proposal JS sole parent clients will have a 26-week expiry of benefit, and, depending on decisions made, may not have a due paid assessment.
- 77 In this context, the differential treatment between SPS and JS clients could be:
- different work obligations
 - different benefit expiry dates
 - different assessment of income and due paid assessments (depending on decisions made).
- 78 We consider the most likely ground for discrimination would be family status. This is because clients who have a child of a certain age in their care will be

subject to JS rules, rather than SPS rules, so will be engaging with MSD more frequently, and be required to declare their income on a weekly basis.

- 79 SPS provides financial assistance to sole parents who have one or more dependent children under the age of 14. SPS clients have work requirements, but these are not qualifying criteria as in the case for JS (and are part-time work obligations at most).
- 80 Once a client's youngest dependent child turns 14, the client is automatically transferred to JS and is subject to full-time work obligations. JS provides financial assistance to clients while they look for employment, have reduced capacity for work or are unable to work due to a health condition, injury or disability.
- 81 The 26-week reapplication is focused on increasing engagement with MSD and opportunities for employment focused conversations. The design, namely recognising existing points of engagement as proxies for the reapplication, is centred on freeing resources to support people into full-time work. Clients on SPS are may not be able to participate in full-time work because of their caring responsibilities for their children and are generally further from the labour market than JS clients. They face a variety of barriers to employment, specific to their circumstances (e.g. access to quality childcare and jobs with family friendly hours).
- 82 Creating more opportunities for engagement with MSD for SPS clients could be beneficial for the cohort, however a 26-week reapplication for SPS would need to have design features suited to this cohort. The 26-week reapplication as designed would be inappropriate for SPS client circumstances. We therefore do not consider SPS clients will be disadvantaged by maintaining their current 52-week expiry and associated reapplication process.

We are expecting the 26-week reapplication to reduce the number of clients on JS monthly, and an overall savings of \$28.958 million

Correction: the overall savings are \$37.885, not \$28.958

- 83 An evaluation of the 52-week reapplication in 2019 showed the 52-week reapplication as a natural drop off point for some clients, with some clients returning to the benefit shortly after cancellation (i.e. 47% returning within three months) and a proportion (36%) not returning to benefit.
- 84 We have modelled the drop-off and return under the current design. This modelling accounts for the inclusion of proxies dictating the range of reapplication types a client may have (e.g. not limited to one-on-one appointments), that some clients may undergo a more rigorous reapplication

process (those who have not completed any of the components of the reapplication by 26-weeks), while some clients (who have completed all components) will have a lighter touch reapplication. The model assumes clients with the lighter touch reapplication would have a more rapid return to benefit from their suspension/cancellation.

85 This is based on the Budget Economic and Fiscal Update (BEFU) which forecasts to June 2028. The assumed changes below are monthly averages, for three years from the implementation date (1 July 2025) of the 26-week reapplication.

86 Based on this modelling, from 1 July 2025, we expect an average per month monthly:

- 160 fewer clients on JS-Work Ready (JS-WR)
- 760 JS-WR clients dropping off at the 26-week reapplication
- 600 JS-WR clients returning to benefit

87 We expect larger impacts for clients on JS-HCD. This is as we anticipate JS-HCD clients more likely to be required to have a “full” reapplication appointment and to be exiting at a higher proportion during the reapplication process. We also anticipate JS-HCD clients to return at a slower rate than JS-WR when they have been cancelled as they may be likely to move to JS-WR or Supported Living Payment (SLP). For this cohort, we expect on average per month:

- 310 fewer clients on JS-HCD
- 430 JS-HCD clients dropping off at their 26-week reapplication
- 120 JS-HCD returning to benefit

Correction: the reduction in BORE costs is \$37.885, not \$28.958

88 We expect this to lead to a reduction in BORE costs of \$28.958 million over five years.

89 You have asked MSD to reduce the number of clients on JS Support by 50,000 by December 2029. The introduction of a 26-week reapplication will contribute to this target by:

- introducing an additional natural fall-off point (e.g. clients we see not reapplying as their circumstances have changed and they know they are no longer eligible)
- increasing opportunities to engage clients in employment activities that will lead to sustainable exits into employment.

Decisions are needed to inform system requirements by 13 June 2024

90 In order to deliver on your implementation timeline of 1 July 2025, MSD requires your decisions by 13 June 2024 to begin system build. This would put us on track to take the policy decisions to Cabinet by July 2024 to enable PCO to start drafting and Bill introduction by November 2024.

Next Steps

- 91 We are working with your office to finalise the timeline for the delivery of legislation.
- 92 We may require further decisions as design progresses, and from any flow-ons from the decisions you have made to date.

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Appendix One

Client Scenarios

Future State: 26-week reapplication (full reapplication and book employment engagement – no proxies met)



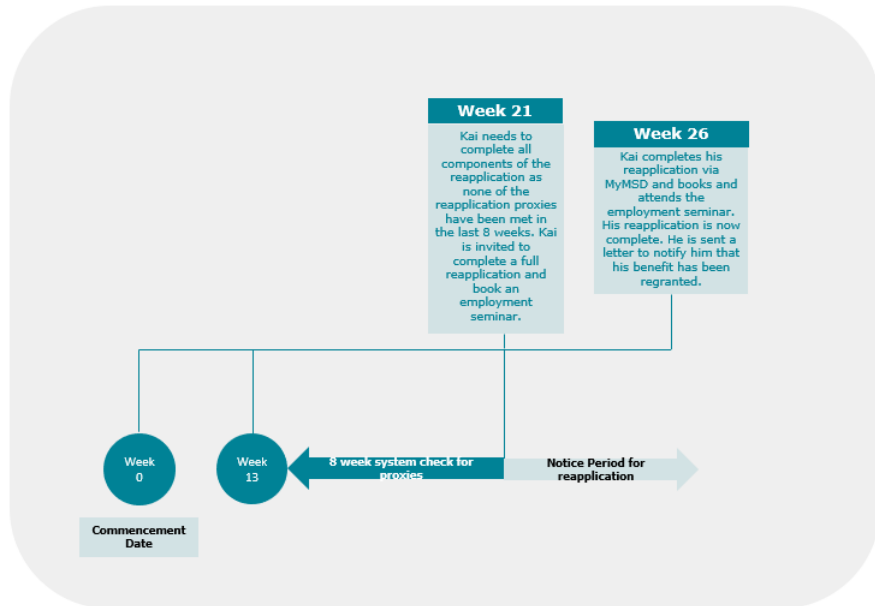
Kai
Jobseeker Support – Work Ready

Kai is not in active case management.


Between week 13 and week 21, Kai has not completed any of the reapplication components.

Kai needs to complete all components of the reapplication. He asked to book an employment seminar and complete his application online via MyMSD.

Once he has completed the reapplication and attends the employment seminar, he receives a letter to confirm the outcome of the reapplication.



Future State: 26-week reapplication (full reapplication - employment proxy met only)



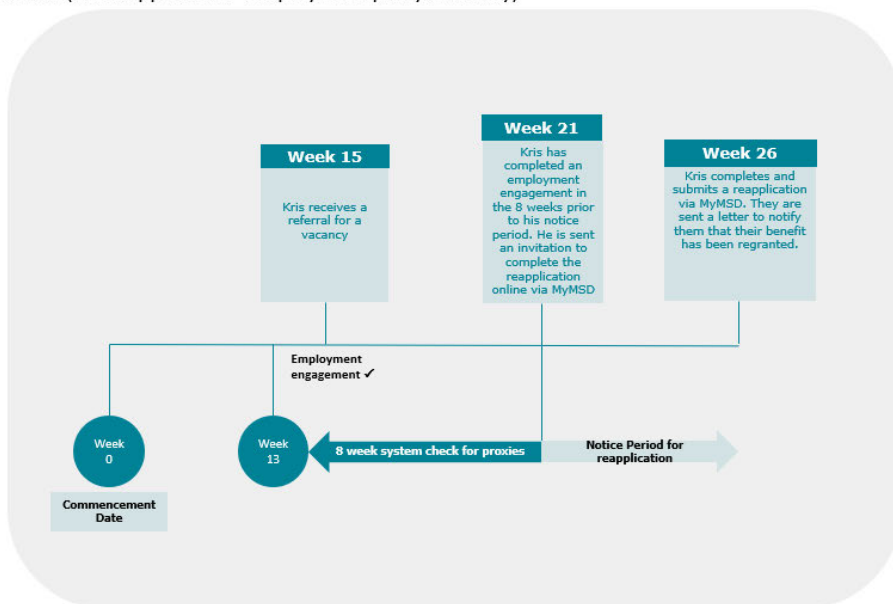
Kris
Jobseeker Support – Work Ready

Kris is not in active case management.


Between week 13 and week 21 of receiving Jobseeker Support, Kris has been referred to some job vacancies by staff, this means that Kris has completed an employment engagement proxy.

This means that at week 21, Kris still needs to complete the eligibility and obligations component of the reapplication.

Kris is invited to complete their reapplication via MyMSD. Once this is done Kris is sent a letter to confirm the outcome of the reapplication.



Future State: 26-week reapplication (confirm reapplication and complete employment engagement – only eligibility proxy met)



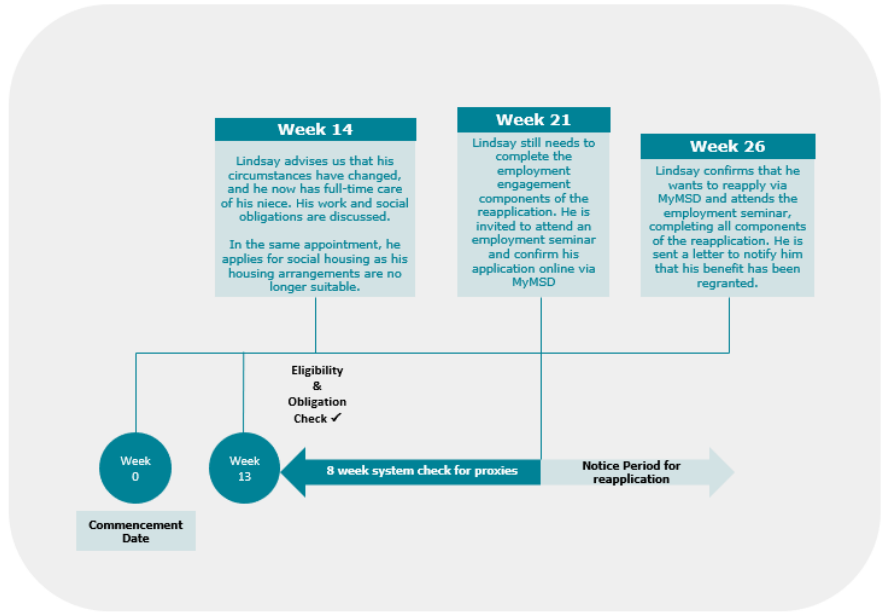
Lindsay
Jobseeker Support – Work Ready

Lindsay is not in active case management.


Since being granted his Jobseeker Support, Lindsay has notified us about changes to his circumstances.

Between week 13 and week 21, Lindsay has completed an eligibility and obligations check. When he is invited to reapply he'll need to confirm his information via MyMSD and book an employment seminar.

After Lindsay attends the employment seminar, he is sent a letter to confirm the outcome of the reapplication.



Future State: 26-week reapplication (confirm reapplication – all proxies met)



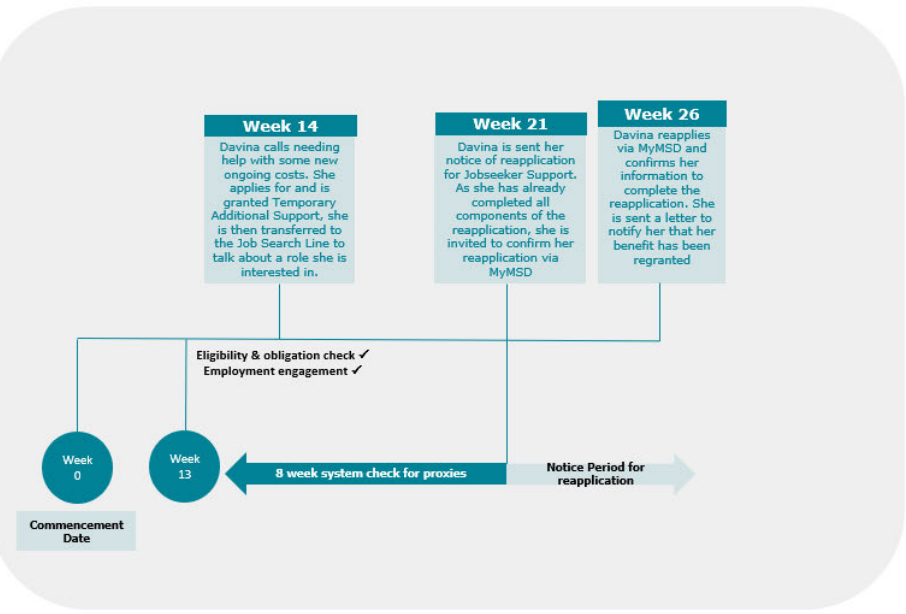
Davina
Jobseeker Support – Work Ready

Davina is not in active case management.

Since being granted her Jobseeker Support, Davina has engaged with MSD for extra assistance.

Between week 13 and week 21, Davina has completed an **eligibility and obligations check**, and an **employment engagement**.

This means that at week 21, Davina is invited to confirm she'd like to reapply. Once she has done this, she is sent a letter to confirm the outcome of the reapplication.



Appendix Two

Regrant: 26-week reapplication cycle over first 52 weeks on JS

