Report

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date:	26 June 2024	**Security Level:**	IN CONFIDENCE
To:	Hon Louise Upston, Minister for Social Development and Employment		
File Reference:	REP/24/6/571		

Additional decisions for the detailed design of the 26-week reapplication for Jobseeker Support

Purpose of the report

1 This report seeks your agreement on additional decisions for the 26-week reapplication for Jobseeker Support (JS), including:

1.1 transitional arrangements for JS clients moving to a 26-week reapplication (from a 52-week reapplication cycle)

1.2 the mitigation for addressing the subset of JS clients with annual income charging (sole parents and grand-parented clients) who are unable to be included in the 26-week reapplication process with their current income charging regime and

1.3 the removal of the temporary full-time employment period for JS clients with annual income charging (sole parents and grand-parented clients)

Executive summary

2 You have asked the Ministry of Social Development (MSD) to deliver a 26-week reapplication for jobseekers. The new reapplication will see clients engaging more often to check their eligibility and discuss their job search. Certain existing engagements will be able to count towards a client's reapplication type to ease the burden on clients and staff by removing duplication where possible, and to create capacity for staff to have higher quality employment engagements.

3 You agreed to most of our recommendations for features of the detailed design [REP 24/5/478 refers] but have asked for additional advice on:

- a transitional arrangement that sees clients moved to a 26-week reapplication cycle earlier than at their next 52-week reapplication
- removing annual income charging for sole parents and grand-parented clients on Jobseeker Support, and options for mitigating any negative impacts.

4 We are seeking your agreement to a transitional arrangement where the majority of JS clients will transition to a 26-week reapplication within six months of 1 July 2025 (Table 1). The only clients who will not have their first 26-week reapplication within six months of implementation are those who:

- have their final 52-week expiry in January 2026 (month seven implementation) before transitioning to 26-week reapplications (11% of clients)
- have an in-flight 52-week reapplication on 1 July 2025 and whose first 26-week reapplication will be in January 2026 (8% of clients)
- are JS sole parents and grand-parented clients with annual income charging with a separate transitional arrangement to enable the mitigation proposed (4% of clients) (Paragraph 5).

5 We also need your decision on the mitigation for the sole parent and grand-parented client cohort moving to weekly income charging. This is an additional transitional arrangement allowing them to complete their Review of Annual Income at the end of the 52-week period and transition to a 26-week reapplication cycle thereafter.

6 An additional flow-on from the removal of annual income charging is the necessity to remove the temporary full-time employment period. This is in primary legislation and will need to be agreed upon by Cabinet.

7 To meet your 1 July 2025 implementation date we require your decisions by 1 July 2024.

Recommended actions

It is recommended that you:

1 **note** that clients who are newly granted Jobseeker Support on or after 1 July 2025 will have their benefit expire 26-weeks after their commencement date

2 **note** that you agreed to the transitional arrangement (Recommendation 10) in REP 24/5/748 but on the basis of your feedback at the officials meeting on 17 June 2024 we have advised an alternative approach in this report

3 **agree** to the proposed transitional arrangement as described from paragraph 17 and which differs depending on a client's commencement date or last 52-week reapplication at the time of go live (1 July 2025)

AGREE / DISAGREE

4 **agree** that on 1 July 2025, Jobseeker Support clients with annual income charging (sole parents and grand-parented clients on Jobseeker Support) will retain their current period of income assessment and will receive a final review of annual income (and any payment that they are due at the end of their 52-week annual income assessment period, or for clients who are in debt to have their debt established as per the current process) and will move to weekly income charging thereafter

AGREE / DISAGREE

5 **note** that all new clients on Jobseeker Support from 1 July 2025 will have weekly income charging

6 **agree** that in respect of recommendation 3, Jobseeker Support clients with annual income charging (sole parents and grand-parented clients) will have a separate transitional arrangement and move to a 26-week reapplication at their next 52-week reapplication to enable a final review of annual income to be undertaken (see recommendation 4)

AGREE / DISAGREE

7 **agree** to remove the ability of Jobseeker Support clients with annual income charging to temporarily be in full-time employment (the temporary full time employment period) when they move from Sole Parent support to Jobseeker Support as long as their income does not fully abate their benefit, as it cannot apply to clients with weekly income charging

AGREE / DISAGREE

____________________________________ ____________________

Leah Asmus
Policy Manager
Welfare System Policy

Date

____________________________________ ____________________

Hon Louise Upston
Minister for Social Development and Employment

Date

Background

8 In May 2024 we recommended achieving your Reducing Benefit Dependency manifesto commitment of delivering a 26-week reapplication for jobseekers by introducing a mandatory review process every 26 weeks for all clients in receipt of Jobseeker Support (JS).

9 In response to our initial proposal you expressed a preference for all JS clients to have their expiry date moved to 26 weeks and for them to be required to complete a reapplication. We provided you with detailed design features for the new reapplication in June 2024, and advised that the decision to move to a 26-week expiry created a flow-on issue for sole parents and grand-parented clients on JS with annual income charging [REP 24/5/478 refers].

10 You agreed to most of our detailed design features but asked for a different transitional arrangement to move clients onto their 26-week reapplication cycle earlier. You have also asked for additional advice on volumes and options to mitigate the impact for JS clients who may be disadvantaged by moving from annual income charging to weekly income charging.

We have begun engaging with clients through the Work Check-in seminars

11 Implementing a 26-week reapplication requires large system and legislative changes, and you have indicated a preference for implementation by 1 July 2025. In order to deliver on your expectations for clients to be engaging more frequently with MSD sooner, we have begun engaging clients through the Work Check-in seminars, which began on 24 June 2024.

12 These seminars are targeted towards JS clients with full-time work obligations and requires them to engage with MSD after 26 weeks on JS. The seminars include resources to help clients in their job search including checking what each individual has done to find work, a reminder of their JS obligations, and a one-on-one engagement to discuss their individual circumstances and commit them to a next action towards getting a job. MSD expects 20,000 JS clients who have been on benefit for 26 weeks to attend a Work Check-in seminar over the next 12 months.

13 The check-in builds on the Kōrero Mahi – Let’s Talk Work seminars, which happen within the first two weeks of the commencement of benefit for a jobseeker with full time work obligations.

14 The seminars are another opportunity to check in with clients on their job search, and how this is tracking. They can provide clients the tools to actively participate in their job search, and to have a more productive employment engagement. These seminars are compulsory. If clients miss one of these

seminars without a good and sufficient reason, MSD will initiate an obligation failure which in turn may stop or reduce their payments.

15 The 26-week reapplications will come into place on the 1 July 2025 – this may replace entirely or be supported by the Work Check-Ins from 1 July 2025 as JS clients' mandatory point of engagement. However, MSD will continue to offer employment seminars (and require some clients to attend) as part of our service offering.

Most JS clients will have their first 26-week reapplication within the first six months of implementation

16 Clients who are newly granted JS on or after 1 July 2025 will have their benefit expire 26 weeks after their commencement date.

17 You have asked MSD for alternative transitional arrangements to move clients who are already in receipt of JS onto their 26-week reapplication cycle earlier. We have reconsidered the transitional arrangements to see what is achievable and have developed a new proposal which will see most clients having their first 26-week reapplication within six months of 1 July 2025.

18 Which transitional arrangement applies to a particular client will be determined based on the proximity of their benefit commencement date, or last 52-week reapplication, to 1 July 2025 - necessitating different provisions for clients closer to / further from their next reapplication (Table 1).

19 Most clients will be required to reapply for their benefit six months after grant. There are three exceptions where clients will reapply after six months, depending on where in the 52-week reapplication cycle a client may be in on 1 July 2025. The points below describe each exception type:

19.1 Clients whose commencement date or last 52-week reapplication was in January 2025: these clients will retain their current 52-week expiry and will not be required to reapply until January 2026 (month seven of implementation). If we were to move their expiry date forward 26 weeks (to July 2025), these clients would have their benefit expire before MSD was able to issue a notice letter detailing the new requirements of their new reapplication. This is 11% of the JS cohort.

19.2 Clients who have already been invited to reapply at 1 July 2025 or are within the notice period of their 52-week reapplication (reapplications are "in-flight"): these clients have already received a notice letter detailing their requirements for reapplication and will complete a 52-week reapplication at their current expiry (in July or August 2025). Their expiry will be reset from this point, and they will have to reapply every 26 weeks thereafter. There will be approximately 8% of clients with an "in-flight" reapplication at go-live.

19.3 Clients with annual income charging with commencement dates approximately 1-21 weeks before 1 July 2025 (4% of the JS cohort): see paragraph 30 for the transitional arrangement for these clients.

20 Table 1 below provides a summary of the newly proposed approach for transitioning clients to 26-week reapplications. Appendix One provides additional, visualised detail on the arrangements.

Table 1. Transitional Arrangements for moving people onto the new 26-week reapplication process from 1 July 2025

Client Group	Transitional Arrangement	Example
Clients 52-week expiry date is within seven months after 1 July 2025. This group includes: ▪ Clients whose expiry dates are within six months of implementation. ▪ Clients whose expiry dates are in month seven of implementation (commencement date or last 52-week reapplication in January 2025) who will have their first reapplication in January 2026 (see paragraph 19.1)	These clients will naturally transition onto the 26-week reapplication cycle within seven months of implementation. On 1 July 2025, clients' expiry date will stay at 52 weeks from their commencement date or last 52-week reapplication and move to every 26 weeks thereafter[1]. They will complete the new 26-week reapplication process.	Tama has his last reapplication appointment and was re-granted his benefit on 22 August 2024. His current expiry date is 22 August 2025. On 21 July 2025 (25 working days prior to his expiry date) Tama is sent a notice letter detailing the requirements for the new reapplication process Tama completes the reapplication process on 22 August 2025, and is moved onto a 26-week cycle from then (noting that though his expiry date remained at 52 weeks, his reapplication is a 26-week reapplication process).

[1] This arrangement also applies to clients who are newly granted JS on or after 1 July but who have a commencement date prior to 1 July (i.e. a backdated commencement for clients who apply within 28 days of their entitlement date). Although their benefit commences before 1 July, their expiry will still be 26 weeks from their commencement date.

		MSD will have sufficient time to notify Tama of his new reapplication requirements before his expiry date. His new expiry date is 20 February 2026.
Clients whose benefit expiry dates are more than seven months after 1 July 2025	These clients will need to have their expiries moved forward to see them sooner. On 1 July 2025, clients' expiry date will be brought forward to 26 weeks from their commencement date or last 52-week reapplication. They will complete the new 26-week reapplication process.	James was granted JS on 4 March 2025. His expiry date (under the current 52 week regime) is 4 March 2026. On 1 July 2025, James's expiry date is brought forward to 26 weeks, to 2 September 2025. On 29 July 2025 (25 working days prior to his expiry date) James is sent a notice letter detailing the requirements for his 26-week reapplication. He must reapply before his expiry date of 2 September to continue to receive JS.
Clients who have an in-flight 52-week reapplication on 1 July 2025	These clients are "in-flight" and will have been sent their initial notice letter to complete a 52-week reapplication prior to 1 July 2025. On 1 July 2025 clients' expiry date is 52-weeks from their commencement date, or last 52-week reapplication.	Sarah has her benefit granted on 19 July 2024. Her expiry date is 19 July 2025. MSD will not have sufficient time to notify Sarah of the new requirements for reapplication before her 52-week expiry date. On 13 June 2025 (25 working days prior to her

	They will complete the current 52-week reapplication process (i.e. a Comprehensive Work Assessment and existing reapplication form) and move to a 26-week expiry thereafter.	expiry date) Sarah is sent a letter advising her to complete the existing 52-week reapplication process. Sarah completes the 52-week reapplication process on 19 July 2025 and is moved onto a 26-week reapplication cycle from then. Her new expiry date is 17 January 2026.

21 This proposed approach creates an additional flow-on issue for the mitigation we have recommended for the sole parent and grand-parented cohort with annual income charging and will therefore require these clients to have a separate transitional arrangement. This is detailed below.

The cohort affected by the removal of annual income charging is larger than we previously reported

22 On 5 June 2024 we advised that changing to a 26-week reapplication process with an expiry date at 26 weeks created an issue for sole parents and grand-parented clients who have annual income charging as they would not have a 52-week period to assess income over [REP 24/5/748 refers].

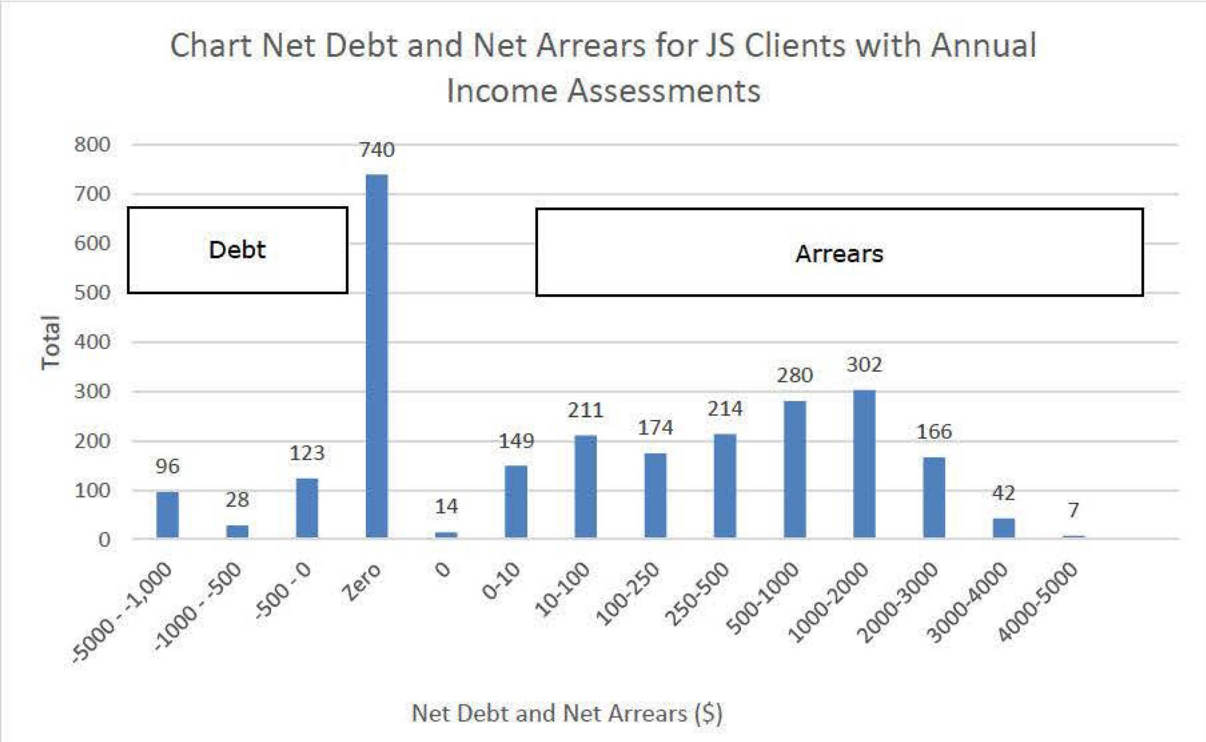
23 Clients receiving a benefit where income can be charged annually have a Review of Annual Income (due-paid assessment) if they have received income that has abated their benefit. The Review of Annual Income ensures that clients receiving a benefit where income can be charged annually have received the correct rate of payment throughout the year.

24 The data we reported in our earlier advice looked at clients who had declared prospective income over the abatement threshold and was point-in-time data. After internal consultation we have applied a different methodology to data collection and have determined the impact is larger than the 270 clients affected that we initially reported.

25 At the end of April 2024 there were 13,221 JS sole parent clients and 57 grand-parented clients who were subject to for annual income charging. In the 2023 calendar year 2,600 JS clients had income that abated their benefit and as a result, had a review of annual income completed.

26 Of the clients with a Review of Annual Income, 310 had net debt established (i.e. money they owed MSD due to underestimating their annual income) at the end of the wash up (due paid assessment). There was no impact for approximately 750 clients (i.e. they ended their review with a null balance), and 1,520 had net arrears owing (i.e. money owed to them from MSD as a result of overestimating their annual income at the start of the income charging period)[2] (Chart 1).

Chart 1. Net Debt and Net Arrears for JS Clients with Annual Income Assessments (from the year 2023)



***Note**: these numbers are rounded, and we have not reported the upper limits (e.g. $5,000+ debt or arrears)

We are proposing completing a client's final review of annual income and establishing any arrears or debt owed before moving to weekly income charging to reduce the impact of the change

27 The change to weekly income charging may disadvantage those clients who have periods of higher income throughout the year but not regular income (e.g. due to temporary periods of employment or unexpected income). This is because under annual income charging their total income gets 'smoothed' across 52 weeks, with abatement only occurring once their gross income reaches $8,320 (as at 1 April 2024). When charged on a weekly basis (i.e.

[2] A number of clients had both debt and arrears established, the totals reported are net, once both were considered.

over the period the income was earned/represents) this can result in periods where they have reduced entitlement to benefit in certain weeks (as abatement instead starts as soon as income is over $160 gross in the week it is earned).

28 To mitigate this, we are proposing that JS clients who currently have annual income charging will complete the full 52-week period of their current assessment year and have their final review of annual income. This includes establishing any arrears due or debt owed to MSD. This will be a transitional arrangement, set out in the Social Security Act 2018 (SSA) to provide for this process to be completed. All new clients granted JS from 1 July 2025 will have weekly income charging.

29 Completing the review of annual income ensures clients receive their correct entitlement to JS for the previous 52-weeks, which is fair based on their annual income period commencing before the law is changed. At the 52 week mark, they will complete the 26-week reapplication process (in place of their 52-week reapplication) and move to a 26-week expiry date thereafter. Weekly income charging will then become a condition of the benefit grant, with clients no longer estimating income looking forward. Clients will have appropriate notice that their income charging period will be changing.

30 To enable this, clients with annual income charging whose commencement date or their last 52-week reapplication was within five months (approximately 1-21 weeks) before 1 July 2025 would be subject to a separate transitional provision. To preserve their 52-week period of income assessment, and complete their annual income review, these clients' expiry date will stay at 52 weeks from their commencement date or last 52-week reapplication - leaving them on the 52-week reapplication cycle initially at 1 July 2025. At their expiry date, they would move to a 26-week reapplication and their next expiry date will be 26-weeks thereafter.

31 There are approximately 6,800 clients who would be subject to this separate transitional provision. Note this will be a subset of the 13,221 clients with annual income charging as it only applies to those that have their benefit commence within five months of 1 July 2025.

32 Clients whose commencement is more than five months (approximately 21 weeks or more) before 1 July 2025 will not require a separate arrangement under the proposed arrangements (as above) as they will re-apply for their benefit at their next 52-week anniversary and finish their 52-week period of income assessment.

33 MSD considers that this proposal will negate the need for any additional financial compensation from changing from annual to weekly income assessment as the change can be clearly signalled as part of the wider changes to the reapplication process.

34 We explored two additional options for mitigating the potential disadvantages of moving to weekly income charging which we discounted. These were:

- A flat-rate lump-sum compensation payment for clients moving to weekly income charging (whose previous review of annual income resulted in arrears) at 1 July 2025: this was discounted as it was deemed to be inappropriate due to the range of arrears (a maximum of approximately $11,000 and a minimum of 10c). There is no flat-rate amount that would accurately reflect the level of arrears previously received.
- A pro-rated income assessment (i.e. a part-year assessment based on the time between their commencement date or last 52-week reapplication and 1 July 2025): this was discounted because it could not accurately reflect the correct entitlement over the full 52-week period and could disadvantage some clients further based on any income received during that period[3].

35 This proposal will not affect clients on Sole Parent Support (SPS) who will continue to have weekly income charging. These SPS clients automatically transfer to JS when their youngest child turns 14. MSD will develop an arrangement for managing the change for these clients who will move from annual to weekly income charging. We will look to provide you with further advice for this cohort later. A decision will be needed prior to the Parliamentary Council Office (PCO) beginning drafting.

36 We have re-costed the IT build with the inclusion of the removal of annual income charging and the mitigation for the cohort, which increases the total cost of implementation from $4.47 million to $4.76 million. The arrangement for SPS clients may increase this cost.

The temporary full time employment period will have to be removed for JS sole parents and grand-parented clients

37 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

[3] For example, there could be clients who receive a high amount of income in the period between their commencement date and 1 July 2025 but expect to receive a lower amount of income between 1 July and their 52-week expiry date. Under normal circumstances their income could be smoothed forward and may result in an arrears payment if their annual income resulted in lower abatement. If their expiry date moved forward they would lose the effect of the smoothing and may end up with debt established if their pro-rata income was higher than the annual amount they estimated.

clients working in home-based childcare, some sales work and some self-employed people whose business is struggling or making a loss.

38 Your decision to remove annual income charging for JS sole parents and grand-parented clients and move them to the 26-week reapplication process necessitates the removal of this temporary full-time employment period.

39 The provision was introduced during the 2013 Welfare Reform and intended to ease the transition for clients with children aged 14 and over as they moved from SPS (with no limitation on working hours) onto JS. The setting enables clients who are working full-time but whose income doesn't fully abate the benefit to continue working full-time for a temporary period of 26 weeks in order to allow the client to increase their income and become independent[4].

40 We cannot retain a 26-week full-time temporary employment period for JS with a 26-week duration, as clients who are working full-time are ineligible to receive JS and working for 26 weeks would cover the full benefit period under the new rules (and therefore not be considered a temporary period). Additionally, the full-time employment provision is only applicable to benefits with annual income charging, where income can be 'smoothed' over a 52-week period. Removing the provision is a change to primary legislation (section 21 of the Social Security Act 2018).

41 Data on this cohort is difficult to obtain, but we believe the size of the cohort undertaking a temporary full-time employment period to be a very small subset of the clients with annual income charging.

42 Some of these clients will lose entitlement to JS once annual income charging is removed if they are working full time at the time of moving from annual to weekly income charging.

42.1 We expect these sole parents who are working full-time and are no longer eligible to JS to be supported through the family tax credit system (e.g. the Family Tax Credit, the In-Work Tax Credit, the Minimum Family Tax Credit).

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[4]The temporary employment period was often utilised by home-based early childhood educators. It recognised that clients working as educators in home-based care often received low income, sometimes at levels below the adult minimum wage. Conditions for home-based educators have since improved, and the recent introduction of the home-based educator top up payment for 20 Hours Early Childhood Education funding means these educators no longer need to forgo income to provide this service.

Next steps

43 We will provide you with advice on SPS clients moving onto JS where they may be part-way through an annual income assessment period.

44 We require your decisions by 1 July 2024 to enable IT build to begin for implementation by 1 July 2025.

45 We will provide you with a draft Cabinet paper on 17 July 2024.

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Appendix One