

Aide-mémoire



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Meeting

Date: 9 August 2024 **Security Level:** IN CONFIDENCE
For: Hon Louise Upston, Minister for Social Development and
Employment
File Reference: REP/24/8/750

Changes to welfare settings to support people into employment and off benefit: Traffic Light System

Date of meeting Cabinet, 12 August 2024

Purpose This Aide memoire provides you with further information responding to matters raised at SOU on 7 August 2024 in relation to the Traffic Light System Cabinet paper.

Cabinet process As the recommendations in the Traffic Light System Cabinet paper have changed, Cabinet Office have suggested that you table the amended paper at Cabinet and speak to it as part of the SOU Report of Committee.


Cabinet Office will provide members with copies of the amended recommendations for this purpose during the meeting. A copy is attached as **Appendix One** for your information.

Talking points relating to the changes to money management are attached as **Appendix Two**.

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Appendix One: Recommendation updates

Changes to welfare settings to support people into employment and off benefit: Traffic Light System

- 11 **agree** to the following settings for how Money Management as a non-financial sanction will apply:
 - 11.1 that electronic payment cards will be the mechanism for Money Management
 - 11.2 that 50 percent of a client's main benefit will go onto the electronic payment card which can only be spent at certain providers on essential items
 - 11.3 that clients would remain on Money Management for four weeks
 - 11.4 that Money Management will apply to a client's main benefit (i.e. it will not include supplementary assistance, e.g. Accommodation Supplement)
 - 11.5 that clients would be required to complete a recompliance activity by the end of the four weeks in order to exit Money Management (and go back to Green) at the end of the four-week period
 - 11.6 clients on Money Management will not be able to access Special Needs Grants or Emergency Housing Grants
 - 11.7 that if a client has not recomplied after four weeks, they will be deemed non-compliant and have their benefit reduced (for clients with dependent children) or suspended
- 12 **note** that the delivery of Money Management could be supported by third-party providers in the future

Appendix Two: Talking points

Money management – confirming a fixed period

- Following discussion at Cabinet Social Outcomes Committee, I am proposing edits to the recommendations in the Traffic Light System Cabinet paper.
- I now propose that clients will stay on Money Management for a set period of time and will need to have completed this period and a re-compliance activity to exit.
- Clients will be required to complete four weeks on Money Management and a re-compliance activity.
- If they have not completed the activity by the end of four weeks, the client will have their payments fully suspended and may have their benefit cancelled if they continue to refuse to re-comply.
- I intend to retain the existing rule that Jobseekers with children can only receive a maximum 50 per cent reduction, suspension or cancellation of their benefit payment, should they refuse to re-comply.

What will Money Management look like?

- Clients on Money Management will have 50 percent of their main benefit placed onto a payment card, which can only be used at specific stores or providers.
- In addition to the payment card, the client will also be required to complete an activity that is the same or similar to the obligation they failed in order to re-comply with their obligations.

Can we introduce money management for a longer period?

- Yes – we could introduce money management for a longer period than four weeks.
- I considered whether a longer period of money management, for example eight weeks, would be appropriate.
- On balance, I believe this would not offer any additional benefits. My intention is that clients should re-comply with their obligations quickly and return to green, and resume their focus on job searching activity. Long sanctions can distract clients from work-search activity, as their primary focus shifts to compliance.

- A longer period could prolong client discomfort, which may act as a disincentive to some clients to fail their obligations again, but would not promote a focus on employment activity and could disincentivise recompliance at the earliest opportunity, reducing friction in the welfare system.

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