

## **In Confidence**

Office of the Minister for Social Development and Employment

Cabinet

## **Shifting people from welfare into work**

### **Proposal**

- 1 This paper sets out the first actions I am taking to shift people off welfare and into work and reduce benefit dependency. This Government has signalled, in our Coalition agreements, a new direction for the welfare system that better motivates and supports New Zealanders to reap the opportunities and independence work provides.

### **Relation to government priorities**

- 2 The Coalition Government has already made clear our view that too many people are dependent on the Jobseeker Support benefit for too long. Reducing benefit dependency will improve the life outcomes of New Zealanders and their children. This contributes to the Coalition Government's commitment to deliver more opportunities for New Zealanders to get ahead and pursue their aspirations.

### **Executive Summary**

- 3 My top priority as the Minister for Social Development and Employment is shifting people from the Jobseeker Support benefit into work.
- 4 I am taking initial actions now because the longer someone spends on benefit, the greater the risk of damage to their prospects.
- 5 Jobseekers will be motivated to move into work through the work obligations and sanctions available in New Zealand law.
- 6 Through more regular job check-ins for jobseekers, the welfare system will be better able to provide targeted assistance and monitor the progress of long-term benefit recipients.

### **An unrelenting focus on employment**

- 7 The Coalition Government is ambitious for all New Zealanders. We aspire to help people move into jobs and stay off benefit. Employment is the best pathway out of hardship in the long term. Everyone who can work, should work even if part-time.

- 8 A significant body of evidence shows that employment improves life outcomes.<sup>1</sup> These improvements range from financial stability, access to opportunities, social connectedness, and better health outcomes for those in work as well as their families.

**A new direction for the welfare system - fully and firmly applying the current sanctions regime**

- 9 Resetting expectations around employment and the use of existing sanctions will be vital to grappling with the recent surge in welfare dependency. This Government believes that those on the Jobseeker Support benefit should fulfil mutual obligations to take reasonable steps to become work-ready and find work in return for receiving financial support from the taxpayer.
- 10 There are 67,000 more people on the Jobseeker Support benefit compared to when National left office six years ago and 35,000 more people have received this benefit for a year or longer.
- 11 Despite more people being on the Jobseeker Support benefit for longer, there was a significant decline in the use of sanctions during these six years. At same time the number of people on the Jobseeker Support benefit increased by 57%, the number of sanctions applied for breaches of work obligations decreased by 58%.
- 12 Prolonged periods of worker shortages did not substantially reduce the number of people on the Jobseeker Support benefit. That indicates that current welfare policy setting, and operational practices, did not enable a unique opportunity to get more New Zealanders into jobs to be capitalised upon and more broadly they are not shifting as many people into work as this Government aspires to.
- 13 Sanctions should be applied when someone on the Jobseeker Support benefit fails to fulfil their obligations without good and sufficient reason, because the incentives jobseekers face shape their actions. While this Government will provide jobseekers proactive support, consequences are also needed to motivate them to do all they can to become work-ready, seek and gain employment including engaging with employment support that is offered to them.
- 14 I wrote to the Chief Executive of the Ministry of Social Development (MSD) on 16 February to outline this Government's view that obligations and sanctions play a vital role in shaping the incentives for jobseekers. This letter makes clear our Government's view that a consequence of not of not fully applying the existing sanctions regime is that remaining on benefit has become the rational choice for too many people.
- 15 My expectation is that MSD should use all levers available to them right now to encourage and support people off benefit and into work even before this Government implements formal changes to policy settings.

---

<sup>1</sup> For example: Rea, D., Anastasiadis, S., Benny, V., Lee, W., Smith, C., and Vandenbroucke, B. (2019). Exploring a new ways to measure wellbeing: benefit to work transitions – Working paper. <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/release-joint-sia-msd-research/exploring-new-ways-to-measure-wellbeing-benefit-to-work-transitions-working-paper-august-2019.pdf>.

- 16 I intend to publicly release this letter to be open and transparent that the welfare system is taking a new direction under this Coalition Government. We are not content to allow New Zealanders to languish on benefit and waste their potential.
- 17 Mutual obligations for jobseekers are critical to the integrity of the welfare system. It is important that people receiving taxpayer support understand their obligations, and that there are consequences where people do not comply. This contributes to public confidence that there is accountability in the welfare system. The current graduated sanctions system allows for harsher consequences for people who repeatedly and wilfully refuse to comply with their obligations.
- 18 This Government will not change the existing rule that welfare recipients with children will have no more than 50% of their main benefit deducted where a financial sanction is applied. Our proposed traffic light system will take the existing graduated sanctions regime further, including new non-financial sanctions.

### **Proactive six-monthly work check-in seminar**

- 19 This Government, as noted, believes the welfare system should more proactively provide jobseekers targeted assistance to overcome any barriers and challenges they face to obtaining a job. In order to provide more effective support and monitor jobseekers' progress, it is essential that MSD checks in with jobseekers who have been on for six months.
- 20 Making it mandatory to re-apply for the Jobseeker Support benefit every six months cannot be implemented immediately. However, in the meantime there will be other actions undertaken. From June 2024, MSD will begin rolling out proactive work check-ins for jobseekers who have been on for six months, including to under 25 year olds.
- 21 These check-in seminars will provide MSD greater opportunities to reassess the needs, assistance, and support available to jobseekers. It also enables MSD to check people are fulfilling obligations such as taking steps to become work-ready and making regular applications for job vacancies.
- 22 189,000 people receive the Jobseeker Support benefit, and there are 60,000 people in case-management support.
- 23 There is less visibility over the remaining 129,000 jobseekers, including what support some of them are engaging in and whether they are making regular job applications. By implementing work check-ins for people who have been the jobseeker benefit for longer than six months, this will enable people who attend these seminars and with a focus on Jobseeker Support recipients to access support they would not have otherwise.
- 24 The check-ins will focus on ensuring jobseekers are taking sufficient steps to find work in line with their obligations and will tailor employment support. These checks could include things like evaluating the effort they have made to date to find work, where they can be upskilled to move into specific job vacancies and referred to programmes, providers or job opportunities, and a reinforcement of obligations while on benefit.

- 25 MSD will proactively identify jobseekers who attend these check-ins. They will be required to attend these check-ins, as a work testable activity in line with current legislation.
- 26 Each check-in could have multiple participants; however, the exact number will vary depending on each jobseeker's circumstances and location.
- 27 Failure to attend these work check-ins, without a good and sufficient reason, may result in a breach of obligations, meaning a financial sanction could be applied. MSD will ensure communication with attendees is crystal clear on the requirement to attend these check-ins, and the consequences of non-attendance.

**Implementation**

**Cost-of-living Implications**

- 28 Supporting people to enter work from benefit will increase incomes and provide people with more resources to face the cost-of-living crisis.

**Financial Implications**

- 29 Estimates suggest the cost to deliver the IT improvements to implement the proposed six-monthly employment check-ins is approximately \$1.2 million. I intend to fund this within MSD baselines.

**Legislative Implications**

- 30 There are no legislative impacts with this paper. As I have noted earlier in the paper, I expect that implementing the full suite of proposals in our coalition commitments will require legislative change and I will report back to Cabinet later this year.

**Impact Analysis**

**Regulatory Impact Statement**

- 31 A Regulatory Impact Statement is not required.

**Population Implications**

- 32 Encouraging more people off benefit and into work will improve financial independence and provide greater access to opportunities, improve social connectedness and provide better health incomes for people within the welfare system.

<b>Population group</b>	<b>How the proposal may affect this group</b>
Māori	Based on December 2023 data, Māori represent 39% of working age recipients of main benefits.  Enhancing supports available for people receiving a benefit to find employment has the potential to improve outcomes for Māori.
Women	Women represent 43% of Jobseeker Support recipients.
Disabled people	42% of people receiving Jobseeker Support are eligible on the grounds of a health condition, injury or disability.  Many disabled people would like to find employment but may not receive enough support to do so. My intention is to increase the support MSD provides to disabled people.
Children	The number of children in benefit dependent households is increasing. In June 2017 there were 172,343 children between the ages of 0 –18 living in households with working-age people receiving a main benefit, with 68% of these children living with someone receiving Sole Parent Support. In December 2023, this figure had increased to 222,492 children, with 69% of these children living with Sole Parent Support recipients.  I believe employment provides the best route out of poverty for children and families. The initiatives outlined in this paper will support this.

### **Human Rights**

33 There are no Human Rights implications arising from the proposals in this paper.

### **Use of external Resources**

34 No external resources were used in the preparation of this paper.

### **Consultation**

35 As this proposal relates to matters well within my portfolio responsibilities, and is merely an update on actions taken I have not undertaken consultation. I intend to undertake full consultation on future policy decisions to implement the suite of proposals in the coalition agreement, Reducing Benefit Dependency and Welfare that Works policies.

### **Proactive Release**

36 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, in accordance with the Cabinet Office Circular CO (18)4, with any appropriate redactions.

### **Recommendations**

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

**IN CONFIDENCE**

- 1 **note** that the top priority for the Social Development and Employment portfolio is to get people off benefit and into jobs;
- 2 **note** that first actions are being taken towards reducing benefit dependency and increasing opportunities for New Zealander's and their families
- 3 **invite** the Minister for Social Development and Employment to report back to Cabinet later in 2024 on policy decisions to continue to shift people from the Jobseeker Support benefit into work.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment