

## In Confidence

Office of the Minister for Social Development and Employment  
Cabinet Social Outcomes Committee

## Changes in Vote Social Development to fund Welfare that Works and Community Participation Services

### Proposal

- 1 I seek approval to transfer up to \$27.860 million of an \$29.889 million underspend from 2023/2024 within Vote Social Development to fund:
  - 1.1 the first phase of Welfare that Works over the 2024/25 financial year, which focuses on getting young people aged 18 to 24 years old off the Jobseeker Support benefit and into work
  - 1.2 community participation services, allowing more disabled people to be supported to participate in the community and in employment.

### Relation to government priorities

- 2 Welfare that Works is an integral part of my and the Ministry of Social Development's plans for reducing the number of people receiving the Jobseeker Support benefit by 50,000 by 2029. This complements the Government's other priorities for the welfare system, including the introduction of a traffic light system to make the consequences of non-compliance with obligations clear for clients. Addressing the barriers to employment faced by young people on benefit can also contribute toward other Government targets, including the reduction of violent crime, youth offending and homelessness.
- 3 I will bring a paper to Cabinet in July 2024 seeking policy decisions on the traffic light system and 26-week reapplications.

### Executive Summary

- 4 Welfare that Works is a high priority for the Social Development and Employment portfolio, and I am focused on funding community providers who can work alongside young people aged 18-24 to support them into employment. I am committed to achieving 2,000 additional placements for young people on Jobseeker Support to work with community providers to find work in 2024/25. This will be a key contributor to the Government's priority to reduce the number of people on the Jobseeker Support benefit by 50,000 by 2029.
- 5 I have explored alternative funding approaches to progress Welfare that Works this year given there is no additional funding available through Budget 2024. The Ministry of Social Development (MSD) will purchase an additional 1,000 placements for young people through the Improved Employment and Social Outcomes Support

Multi-Category Appropriation (MCA) for 2024/2025. However, achieving my goal of 2,000 additional places through the MCA alone would require diverting funding from proven employment products that are needed to support a growing number of unemployed New Zealanders.

6 There will be a need for funding to maintain service availability and workforce for community support services for disabled people or people with health conditions while related reviews are underway. These services support people to participate in their communities and employment. As part of this I am also seeking to rescind the previous Cabinet agreement to include the 'Very High Needs', 'Community Participation', and 'Transition Services' that are part of the Community Participation Services appropriation in Enabling Good Lives personal budgets [SWC-21-MIN-0146 24.2].

7 I am therefore seeking Cabinet's agreement to transfer in-principle up to \$27.860 million of an \$29.889 million underspend from 2023/2024 within Vote Social Development to fund the first year of Welfare that Works and for Community Participation Services.

8 This funding would be used to:

8.1 purchase 1,100 youth-specific employment services placements in the 2024/2025 year, in addition to the 1,000 placements to be purchased using existing funding in the Improved Employment and Social Outcomes Support MCA

8.2 s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

9 s 9(2)(f)(iv) [Redacted]

10 s 9(2)(f)(iv) [Redacted]

10.1 s 9(2)(f)(iv) [Redacted]

10.2 [Redacted]

10.3 [Redacted]

11 s 9(2)(f)(iv) [Redacted]

- 12 Additionally, there is expected to be an underspend of up to \$4.728 million from the Community Connectors category in the Community Support Services MCA, as a result of changes in providers utilising Care in Communities funding, a delay to planned evaluation and less demand for discretionary funding.

**Welfare that Works is a key contributor to achieving our Jobseeker Reduction Target**

- 13 Most young people make a successful transition from education into the labour market. However, some young people experience prolonged periods of limited or no employment, which is associated with an increased risk of a range of poor immediate and long-term outcomes such as:
- 13.1 poorer future job prospects and wages due to the ‘scarring’ impact of early experiences of significant periods of unemployment
  - 13.2 adverse impacts on mental and physical health and social relationships
  - 13.3 housing instability and homelessness, and
  - 13.4 engagement in drug use and criminal activity.
- 14 The number of young people aged 18-24 receiving a benefit has increased over the past five years. Numbers of young people receiving Jobseeker Support – Work Ready (JS-WR) have increased by more than half, and numbers receiving Jobseeker Support – Health Condition or Disability (JS-HCD) have increased by more than 40 percent. Although numbers spiked during the Covid-19 pandemic and came down substantially over 2021-2022, they remain high and have trended up since 2023. Young people are typically the first hit by economic downturns, and these experiences can have a lasting impact.
- 15 These numbers indicate increases in proportions of young people dependent on benefits given the overall population aged 18-24 decreased by 2.5 percent between the 2018 and 2023 September quarters. Along with increases in overall benefit receipt, we have also seen increased duration of benefit receipt. Close to half of JS-HCD clients, and a third of JS-WR clients aged 18-24 have been on benefit for a year or more.
- 16 These numbers speak to the need to focus on young jobseekers as a group as part of our target to reduce people receiving Jobseeker Support benefit by 50,000 by 2029. Achieving the target is estimated to result in a net saving of \$2.3 billion over the forecast period. The Welfare that Works model will be a key contributor to achieving the target.
- 17 The Welfare that Works policy proposes drawing on the community sector to address the barriers to employment faced by jobseekers aged 18-24 in a structured way, by:
- 17.1 funding community providers to work intensively with young jobseekers aged 18-24 who have been on benefit for three months or more
  - 17.2 ensuring all young jobseekers who have been on benefit for three months or more have their barriers to finding work assessed and an individual plan with agreed actions they will need to take

- 17.3 holding these young jobseekers accountable for carrying out the agreed actions —with failure to carry out these actions resulting in sanctions, including monetary sanctions and money management (which I intend to introduce through a Bill later this year), and
- 17.4 introducing a bonus payment of up to \$1,000 for young jobseekers who have been on benefit for 12 months or more if they successfully obtain employment and stay off benefit for 12 months.
- 18 Many elements of this model are already part of our systems for supporting jobseekers, and I plan to build on these existing elements as a first step in implementing Welfare that Works. Note that young jobseekers will also be subject to the traffic light system.

**I am seeking agreement to use 2023/2024 underspends to fund the first phase of Welfare that Works**

*Welfare that Works was not funded through Budget 2024*

- 19 I was invited to submit a Welfare that Works initiative through Budget 2024. As this has not received Budget funding, I have explored alternative funding options for the first year. Providing suitable early intervention to help young people into work could support significant positive impacts, including reducing long-term benefit dependency for the young people we are able to support into employment.
- 20 I am committed to funding 2,000 additional placements for young jobseekers with community providers for 2024/25.

*MSD is significantly increasing employment placements for young people funded through its regional contracts*

- 21 In line with my priorities to support young people into employment and the Government's Jobseeker Reduction Target, MSD will purchase an additional 1,000 employment placements specifically for young people in 2024/25 using existing funding within the Employment and Social Outcomes MCA, achieved through an annual purchasing plan process carried out by regional teams.
- 22 While the services that these purchased placements supply will differ from provider to provider and across the regions, they will all in some capacity provide:
  - 22.1 Coaching – Varying from a dedicated coach that will mentor youth on a one-on-one regular basis to one to many, classroom coaching type environments.
  - 22.2 Needs Assessments – Providers will capture the needs of participants to identify the level of support they require and tailor the service to that of the participant. The level of detail and format of this will vary.
  - 22.3 Individual Plans – Providers will create plans to work with clients towards their individual goals. This will vary from detailed plans to address specific barriers to employment to more informal employment goals.

*However, using 2023/24 underspends is needed to achieve sufficient placements*

- 23 In line with my commitment to fund 2,000 additional placements for 2024/2025 to support young jobseekers find work, I intend to repurpose around \$9.450 million from this underspend, which will allow for as many placements as possible (an additional 1,100) to be purchased for the 2024/2025 financial year.
- 24 Specifically, this would include:
- 24.1 500 placements with high performing He Poutama Rangatahi providers, which provide a high intensity service that MSD would use to support young people who have been on benefit for extended periods and those who have previously received Youth Payment or Young Parent Payment (and therefore have the highest expected future years on benefit).
- 24.2 600 further placements with regionally contracted providers with a youth focus, which provide less intensive services that MSD would use to support young people more closely linked to the labour market, such as those who have been on benefit for a shorter period.
- 25 Evaluation of the first He Poutama Rangatahi pilot cohort (from 2018-19) indicated participants experienced improved off-benefit, and employment, education and training outcomes compared to similar non-recipients in the short term, but that these improvements were not shown to be sustained (noting that outcomes may have been impacted by COVID-19 disruptions). MSD has since taken steps to improve the performance of He Poutama Rangatahi by extending the duration of pastoral support provided to participants, and discontinuing providers not meeting contracted outcomes.
- 26 For the 2024/2025 financial year, I seek agreement for an in-principle transfer of up to \$9.450 million in 2023/2024 MSD underspends to fund these additional placements.
- 27 I have considered whether these placements could also be funded through the Improved Employment and Social Outcomes Support MCA. However, drawing further on funding within the MCA would require reducing investment in key employment supports such as Flexi-wage, Mana in Mahi, and Driver Licensing Programmes, which have been shown to be effective in achieving employment outcomes. Reprioritising funding from these supports could result in fewer employment outcomes (particularly for clients aged over 25), impacting our ability to reach the Jobseeker Reduction Target, and potentially leading to overall poorer outcomes.
- 28 As well as contributing to target achievement, this first phase of Welfare that Works would be used to collect evidence of service effectiveness through provider-reported outcomes and MSD administrative data. This evidence would be used to inform future investment choices, which could include an invest to save option.

**I also seek agreement to use 2023/24 underspends to improve support for disabled people and those with health conditions**

*MSD has a range of supports for disabled people and those with health conditions*

- 29 As well as employment placement services for those who are work ready, MSD funds complementary services through community providers to support this cohort to maintain employment, transition from school, have pathways to employment through vocational training and sheltered employment and, where people cannot work, to participate and be included in their communities.
- 30 Specific programmes currently funded by MSD include:
  - 30.1 support for disabled students in their last two years of school to plan for life after school including employment, education and training
  - 30.2 assistance with the additional costs disabled people face in employment and training
  - 30.3 support and supervision of employees of disability business enterprises
  - 30.4 support with vocational training and community participation.
- 31 There is increasing complexity in the support needs of disabled people and people with health conditions and this increases the support required to help them into employment and training, and, where people cannot work, ensuring they can participate in their communities.
- 32 Targeted investment into community services for disabled people and those with health conditions next year will better support people with participation, training and employment and support the Jobseeker Reduction Target through ensuring the quality and availability of services while wider reviews are underway.
- 33 These services also support carers to work and reduce the number of people accessing more expensive government health and disability supports.

*MSD health and disability supports evolve in response to wider system changes*

34 s 9(2)(f)(iv) [Redacted]

35 s 9(2)(f)(iv) [Redacted]

36 While the reviews take place, I have asked agencies to halt work on including funding for Very High Needs, Transition from School, and Community Participation Services in personal budgets for eligible people in the initial phase of national implementation of Enabling Good Lives [SWC-21-MIN-0146 24.2 refers]. Cabinet had previously taken this decision alongside agreeing to implement the Enabling Good Lives approach to DSS. No transfers of funding have taken place. I seek agreement to rescind this decision as it is most appropriate to keep these services operating and keep this funding in MSD until the DSS review is complete and I receive advice on improving outcomes for disabled people accessing these services.

37 s 9(2)(f)(iv)

*Service quality and provision needs to be maintained while the above reviews occur*

38 I propose to transfer up to \$18.410 million in 2023/24 underspend for Community Participation Services forward to the 2024/25 financial year.

39 Transferring this funding forward will enable MSD to maintain support for disabled people and people with health conditions to participate in their communities and employment and specifically to purchase additional places, fill service gaps, and maintain the workforce.

40 Work is ongoing to understand the specific needs and timeframes to distribute this funding for most effective investment. I am expecting further advice from officials on this matter.

### **Cost-of-living Implications**

41 Welfare that Works aims to improve young jobseekers' ability to attain a higher standard of living by supporting them off benefit and into employment.

### **Financial Implications**

42 As indicated above, MSD has forecasted underspend of \$29.889 million for the 2023/2024 financial year from the Non-departmental Output Expense, Community Participation Services appropriation and Community Support Services MCA.

43 To achieve the 2,000 additional youth-focused employment placements for 2024/2025, along with the 1,000 additional placements MSD is purchasing through the Improved Employment and Social Outcomes Support MCA, funded through its regional contracts, I plan to fund, with a total cost of \$9.450 million:

43.1 500 placements with He Poutama Rangatahi providers

43.2 an additional 600 placements with regionally contracted providers.

44 I propose to:

44.1 reprioritise \$9.450 million forecast underspends in 2023/2024 in Vote Social Development to fund this initial phase of Welfare that Works

44.2 s 9(2)(f)(iv) [Redacted]

45 s 9(2)(f)(iv) [Redacted]

46 Any remainder of the underspends over and above \$27.860 million would be returned to the centre.

47 The Minister of Finance provided pre-approval for this paper ahead of formal Ministerial consultation.

**Legislative Implications**

48 There are no direct legislative implications arising from this paper.

**Impact Analysis**

**Regulatory Impact Statement**

49 There are no regulatory proposals in this paper, and therefore Cabinet’s impact analysis requirements do not apply.

**Climate Implications of Policy Assessment**

50 There are no climate-related proposals in this paper, and therefore a Climate Implications of Policy Assessment is not required.

**Population Implications**

51 As at June 2023, 43.9 percent of disabled people aged 15-24 were not in employment, education or training, compared to 9.7 percent of their non-disabled peers. 18.3 percent of Māori aged 15-24, and 17.3 percent of Pacific people aged 15-24 were not in employment, education or training.

52 I anticipate that Welfare that Works will have a positive impact on Māori and Pacific young people as well as young disabled people with a disability and/or health condition who interact with the welfare system. Welfare that Works takes an individualised approach tailored to the specific needs of the young person.

53 s 9(2)(f)(iv) [Redacted]



## Human Rights

54 The proposals in this paper in relation to the funding transfer are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Use of External Resources

55 External resources have not been engaged in the preparation of this paper.

## Consultation

56 The following agencies have been consulted on this paper: the Treasury, the Department of the Prime Minister and Cabinet, the Ministry of Business, Innovation and Employment, and the Ministry of Disabled People – Whaikaha.

## Communications

57 I will announce details of year one provision for Welfare that Works in due course.

## Proactive Release

58 I intend this Cabinet paper be proactively released within standard timeframes.

## Recommendations

It is recommended that the Social Outcomes Committee:

- 1 **note** Welfare that Works focuses on using the community sector to address the barriers to employment faced by young people aged 18 to 24 who are on the Jobseeker Support benefit and have been on the benefit for three months or more
- 2 **note** I am committed to progressing Welfare that Works this year as one of my levers to reduce the number of people on Jobseeker Support
- 3 **note** that achieving the Jobseeker reduction target is estimated to result in a net saving of \$2.3 billion over the forecast period
- 4 **note** achieving the target involves implementing the first stage of Welfare that Works
- 5 **note** the intent of the first phase is to reach a target of 2,000 additional places for young people with community providers, with the placements featuring coaching, needs assessments, and individual plans in varying degrees
- 6 **note** that to achieve these 2,000 additional places in 2024/2025, 1,000 will be funded from the Employment and Social Outcomes MCA and the intention is to fund 1,100 additional placements at a total cost of \$9.450 million
- 7 **note** it is anticipated that there will be a need to maintain service availability and workforce for community support services in 2024/25 to support more people with disabilities and health conditions to participate in their communities and employment and in response to recommendations from the independent review into Disability Support Services

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- 8 **agree** to rescind Cabinet’s previous decision to include the ‘Very High Needs’, ‘Community Participation’, and ‘Transition from School’ funding streams from the Non-Departmental Output Expense: Community Participation Services in personal budgets for eligible people in the initial phase of national implementation of the Enabling Good Lives approach [SWC-21-MIN-0146 24.2]
- 9 **note** the Ministry of Social Development is anticipating non-departmental output expense underspends in 2023/24 as follows:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2023/24	2024/25	2025/26	2026/27	2027/87 & Outyears
<b>Non-Departmental Output Expenses:</b> Community Participation Services	(25.161)	-	-	-	-
<b>Multi-category Expenses and Capital Expenditure</b> Community Support Services					
<b>Non-Departmental Output Expenses:</b> Community Connectors	(4.728)	-	-	-	-
<b>Total Operating</b>	<b>(29.889)</b>	-	-	-	-

- 10 **agree in-principle**, subject to recommendation 12 below, to transfer MSD underspends of up to the following amounts for Welfare that Works, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<b>Multi-category Expenses and Capital Expenditure</b> Improved Employment and Social Outcomes Support					
<b>Departmental Output Expenses:</b> Improving Employment Outcomes (funded by revenue Crown)	4.450	-	-	-	-
<b>Non-Departmental Output Expenses:</b> He Poutama Rangatahi	5.000	-	-	-	-
<b>Total Operating</b>	<b>9.450</b>	-	-	-	-

- 11 **agree in-principle**, subject to recommendation 12 below, to transfer MSD underspends of up to the following amounts for Community Participation Services, as shown below:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<b>Non-Departmental Output Expenses:</b> Community Participation Services	18.410	-	-	-	-
<b>Total Operating</b>	<b>18.410</b>	-	-	-	-

12 **authorise** the Minister for Social Development and Employment and the Minister of Finance jointly to agree the final amount(s) to be transferred above, following completion of the 2023/24 audit financial statements, with no impact on the operating balance and/or net debt across the forecast period

13 s 9(2)(f)(iv) 

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment