

Background

The Government is committed to overhauling the welfare system

- 10 This Government's vision is for a welfare system that ensures people have an adequate income and standard of living, are treated with respect, can live in dignity and are able to participate meaningfully in their communities.
- 11 In February 2019, the Welfare Expert Advisory Group (WEAG) provided its final advice in their report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*. The WEAG recommended significant and large-scale reform of the welfare system.
- 12 The WEAG recommended that the Government remove some obligations and sanctions (for example, pre-benefit activities, warrants to arrest sanctions, social obligations, drug-testing sanctions, 52-week reapplication requirements, sanctions for not naming the other parent, the subsequent child work obligation, and the mandatory work ability assessment for people with health conditions or disabilities).
- 13 On 6 November 2019, Cabinet endorsed a high-level short, medium, and long-term work programme for the welfare overhaul to achieve the Government's vision [CAB-19-MIN-0578 refers]. This includes a review of obligations and sanctions, with a focus on those that impact children, and a wider review to ensure obligations and sanctions are designed and implemented to support wellbeing outcomes [SWC-19-MIN-0168].
- 14 The Government has already removed the sanction for not naming the other parent, and has just agreed to remove the subsequent child policy [SWC-20-MIN-0101 refers]. The proposed approach outlined in this paper would enable us to provide advice on warrants to arrest sanctions, social obligations, drug-testing sanctions, and support our work to review 52-week reapplication requirements. Work on reviewing pre-benefit activities and the mandatory work ability assessment for people with health conditions or disabilities will take place in further phases of work.

We made temporary changes to the way we work in response to increased demand from COVID-19

- 15 A range of temporary changes were made to how the Ministry of Social Development (MSD) delivers its services in response to the COVID-19 pandemic to manage an unprecedented increase in demand and to ensure the health and safety of clients and staff [REP/20/3/286 refers]. For example, annual reviews and reapplications were deferred, identification and verification requirements were modified, and initial income stand-downs were temporarily removed to provide quick support to cushion the blow of COVID-19.
- 16 In June 2020, we provided you with advice on the status of the temporary changes and whether we should return to business as usual or look at opportunities to address known policy issues and welfare overhaul objectives [REP/20/6/687 refers]. Some of these settings (eg suspension of the 52-week reapplication process and suspension of initial income stand-down periods) were extended for a further six months [CAB-20-MIN-0328 refers]. These temporary changes have provided MSD with an opportunity to make changes that can further the Government's vision for the welfare system.

We now have an opportunity to review obligations and sanctions to improve our clients' experience and ensure we provide adequate support in the welfare system

- 17 The number of clients requiring urgent support as a result of COVID-19 will continue to increase. Respondents in the 2018 WEAG consultation process expressed that efficient, transparent and timely decisions are essential to ensure people have support when they need it. If MSD receives high volumes of clients in the short and medium-term, the administration of certain sanctions under pre-COVID-19 settings may prevent adequate and timely employment-focused support from MSD.
- 18 We need to move away from a system based on sanctions for non-compliance towards a mutual expectations framework to foster trust between our clients and MSD. We consider a review of obligations and sanctions provides an opportunity to

improve our clients' experience with MSD in line with the Government's vision for the welfare system, especially with increased clients impacted by COVID-19.

- 19 A review of obligations and sanctions also supports other welfare overhaul workstreams reviewing the temporary changes made during COVID-19 (eg periodic provision of medical certificates or the 52-week benefit reapplication process).

Proposed phased process for reviewing obligations and sanctions

We propose to review obligations and sanctions in two phases

- 20 The welfare overhaul medium-term work programme includes the review of all obligations and sanctions in the Act and relevant regulations, including those that impact children. The Government has previously indicated that it will not be removing all work-related obligations and sanctions [CAB-19-MIN-0170 refers]. You have confirmed that employment continues to be the priority expectation of people who are able to work [REP/19/7/634 refers].
- 21 In determining our approach in this advice, we have considered the impact of obligations and sanctions on children. Our main conclusion is that the application of any sanction to a parent has an impact on their children, though the nature and scale of the impact is difficult to quantify based on data we hold. The areas we have outlined for initial exploration include obligations and sanctions that only apply to families with children (for example social obligations apply to carers of dependent children).
- 22 Due to the complex nature of some obligations and sanctions, Cabinet agreed that a comprehensive review will take place as part of the medium-term welfare overhaul work programme [CAB-19-MIN-0578 refers]. A review of work-focused obligations and sanctions will be undertaken alongside further work on benefit eligibility and the expansion of the MSD's employment services.
- 23 As part of the next phases of work to explore other obligations and sanctions, for example work obligations, we will continue to have regard to the impact on children. Our advice will consider not only the legislative settings, but how they are operationalised and applied to families.

The initial phase of the review will prioritise changes to obligations and sanctions that could improve client experience

- 24 We received funding to provide additional case managers in Budget 2019. MSD's investment in front-line staff has led to an increase in proactive employment engagements. This has resulted in more people exiting benefit into work. Given the anticipated increase in client volume, an employment-focused approach will ensure clients exit into stable and secure employment.
- 25 The use of graduated sanctions has been slowly reducing from 8.3 per cent in March 2015 to 5.6 per cent in March 2020. This reduction could reflect our investment into proactive employment-focused case management.
- 26 We propose that the initial focus of the review is on areas where changes may improve client experience by simplifying the system and facilitating continued employment-focused case management.
- 27 Proposed changes to achieve these aims include reviews of the:
 - Comprehensive Work Assessment (CWA)
 - social obligations
 - drug testing
 - warrant to arrest obligations.

Māori will be significantly impacted by any changes made to the obligations and sanctions regime

- 28 Māori make up approximately 36 per cent of all working age people receiving a benefit as a primary benefit recipient and are at risk of long-term welfare dependency. Māori have identified the ongoing impact of colonisation as an underlying cause of welfare dependency, and that the welfare system is individualised and fails to consider the role of whānau.¹
- 29 For all types of work obligations, the proportion of Māori who have a sanction applied during a month has been consistently higher than the proportion of non-Māori who have a sanction applied.
- 30 Through the WEAG public consultation, Māori recommended significant improvements to the welfare system in its cultural awareness and responsiveness, providing opportunities for Māori to determine how their needs are met, and the inclusion of iwi in the design and delivery of welfare support.
- 31 Any changes that are made to the obligation and sanction regime are likely to significantly impact Māori. The welfare system must reflect the needs of Māori. To ensure that any proposed changes to the obligations and sanctions regime contribute to this goal, we will underpin the review of obligations and sanctions with the kaupapa Māori values included in MSD's working policy framework.² We will also consider both te ao Māori and Te Tiriti o Waitangi in the analysis of these issues. Engagement with Māori on any proposals will be incorporated into the engagement plan for the review.

Proposed criteria for reviewing obligations and sanctions

We have tested the areas proposed for an initial review against five criteria

- 32 The criteria for prioritising the review of some obligations include:
- 32.1 *Aligns with the Government's vision for the welfare system* – to ensure that we are making changes that move us towards ensuring that people have an adequate income and standard of living, are treated with respect, can live in dignity and are able to participate meaningfully in their communities.
- 32.2 *Aligns with the purposes in MSD's working policy framework* – the framework sets out purposes which reflect MSD's role as a provider of social and financial support [REP/19/7/628 refers]. This includes employment-focused support for people to find and remain in suitable employment and housing, while partnering with other providers and clients to build their own social and economic wellbeing in a way which best suits their needs.
- 32.3 *Aligns with the values in MSD's working policy framework* – MSD's working policy framework identifies four values that should underpin the approach to the overhaul of the welfare system [REP/19/7/628 refers]. To align with the rest of the welfare overhaul objectives, a review of obligations and sanctions should be underpinned by these values.
- *Manaakitanga*: upholding people's dignity. We care for people and treat people with respect and compassion.
 - *Kotahitanga*: we are stronger when we work together. Kotahitanga is about partnering with government agencies, whānau, families, hapū, iwi, Māori and communities to deliver better outcomes.

¹ Views on New Zealand's welfare system; a summary of consultation responses to the welfare expert advisory group, December 2018, p 16.

² We provided this framework to you in July 2019 [REP/19/7/628 refers]. The purposes and values are outlined in paragraphs 32.2 and 32.3 respectively.

- *Whānaungatanga*: relates to relationships and connections across the system and within communities. Relationships bind and strengthen a sense of belonging across groups and individuals.
- *Takatutanga*: the state of readiness and preparedness to go beyond traditional boundaries, and seek to become full participants in the social and economic development activities of communities.

32.4 *Simplifies welfare system settings for clients* – this aligns with the goals of the welfare overhaul by streamlining processes where possible to improve the experience of clients.

32.5 *Reduces unnecessary compliance-based activities for MSD staff and clients* – this is intended to respond to the high levels of unemployment and demand for MSD services. We want to ensure that MSD staff are not having to prioritise work that is administratively burdensome but adds little value, ahead of providing clients with adequate and appropriate support.

We propose reviewing the Comprehensive Work Assessment

- 33 The Comprehensive Work Assessment (CWA) is a compulsory part of the 52-week reapplication process. The 52-week reapplication process has a dual policy rationale. The first limb aims to regularly assess a client's eligibility for a benefit, while the second limb (the CWA) reassesses the client's work capacity and which work obligations are appropriate for them.
- 34 Work-tested clients must reapply for their payment every 52 weeks. If a client does not complete their 52-week reapplication they cannot be regranted their benefit (their payments "cease"³). This is a blunt approach to an eligibility check and resembles a sanction for non-compliance.
- 35 You recently received advice on 52-week reapplications and their impact on clients [REP/20/6/687 refers]. We will provide you with further advice about its use as an eligibility check in late 2020. This review will inform part of the 52-week reapplication review by indicating whether a work capacity assessment needs to be tied to an eligibility check that carries a threat of cancellation.
- 36 As a work capacity assessment tool, we are uncertain that the CWA meets its policy rationale. Administration of the reapplication rule has become less comprehensive over time and has moved towards a more compliance-focused exercise of rapid checks on eligibility and work obligations. MSD's current practice places the burden on the client to comply with the CWA during time with case managers which could otherwise be spent having comprehensive discussion about how MSD can better support the client.
- 37 Further, the time period specified for the CWA (52 weeks) is arbitrary. A review of the CWA will indicate whether a review every 52 weeks is appropriate for all clients. If the policy goals are to ensure clients are entitled to their full and correct entitlement and that their work obligations are appropriate for their circumstances, clients may be better off completing a CWA when it best suits their needs.
- 38 We propose a review will indicate whether the CWA meets its policy rationale and enable us to explore any alternatives. This might include its replacement or removal through the new employment-focused model.
- 39 Prior to COVID-19, we began making operational changes which allow clients to interact with MSD using self-service options. For example, clients can now complete job profiles online and update their own records at any time in MyMSD. As you know, we are developing a new employment-focused operating model that builds on this new way of working.

³ This is set out in section 332(1) of the Social Security Act 2018.

40 s 9(2)(f)(iv) OIA

- 41 Age standardised rates of receipt of working-age benefits are more than three times higher for Māori than non-Māori and are highest for Māori women. Achieving a more efficient benefit system by reforming the CWA will provide more valuable support to all clients in the 52-week reapplication process. This will make a difference to all working-age clients, especially the Māori population.
- 42 The below table demonstrates the rationale against our criteria for review of the CWA.

Criteria	Assessment
Aligns with the Government's vision for the welfare system	Potential for quality, proactive engagement with clients, moving towards an approach that takes into account a client's specific circumstances. Potential to improve client/staff interactions and build trust.
Aligns with MSD's working policy framework	Purposes: Potential to improve the CWA to better understand clients' needs and goals to help them into paid employment and link them to other support services.
	Values: Supports <i>manaakitanga</i> by upholding client's dignity and <i>whanaungatanga</i> by fostering relationship building between clients and their case managers.
Simplifies welfare system settings for clients	Removes additional forms and compliance, and an opportunity to streamline and tailor interactions for better results.
Reduces unnecessary compliance-based activities for MSD staff and clients	Potential to reduce compliance-based activities that do not add value.

There is an opportunity to review the rationale for social obligations

- 43 Social obligations are intended to encourage clients to use services essential for child wellbeing, including health checks and participation in Early Childhood Education and registered schools. Social obligations recognise that there are at-risk children in families receiving social assistance, therefore the welfare system can be used to encourage activities that can be beneficial for at-risk children.
- 44 We propose that there is an opportunity to review the rationale for social obligations. We could reconsider the role of social obligations in light of the Government's vision for a welfare system that is a more supportive, outcomes-oriented operating model based on *Whakamana Tāngata*, mutual expectations and trust.
- 45 MSD's research found no evidence that suggests sanctioning can be used to improve non-work-related outcomes or wellbeing outcomes in the long-term. To date there have been no sanctions applied for failing social obligations. A lack of enforcement may undermine the importance of obligations and compliance generally. Clients often recognise the value of education and healthcare for their children but may face additional barriers (eg inadequate access to childcare). Sanctioning clients will therefore be limited in achieving wider wellbeing outcomes as they will not remove external barriers to compliance with social obligations.
- 46 With a limited impact, social obligations become an administrative obligation on clients, while MSD's only role is to check they are complying, rather than meaningfully helping clients to comply. Ensuring positive outcomes for whānau and tamariki could be achieved without sanctions, for example, through more effective MSD coordination with other public agencies.

- 47 A review can explore how the dynamic between clients and MSD could be shifted by removing what has become a burdensome administrative process and instead helping clients focus on their employment outcomes. **s 9(2)(f)(iv) OIA**

. Clients would experience a simplified system with more active support from MSD to achieve the same outcomes for their children.

- 48 The below table demonstrates the rationale against our criteria for review of social obligations.

Criteria	Assessment
Aligns with the Governments vision for the welfare system	<p>Opportunity to explore proactive approaches to ensure that clients with children are given the support to access government services that best support whānau wellbeing, without obligations or sanctions.</p> <p>Could send a strong message about rebalancing mutual expectations and ensuring that clients live in dignity and are treated equitably. This also aligns with your priorities to review obligations and sanctions that impact children (SWC-19-MIN-0168).</p>
Aligns with MSD's working policy framework	<p>Purposes: Social obligations are intended to encourage clients to access services that may be beneficial to them and their children's wellbeing.</p> <p>Values: Supports <i>manaakitanga</i> by upholding client's dignity and shifting the relationship to one of trust and support, and <i>takatutanga</i> by challenging traditional punitive measures that have been implemented to encourage non-work-related wellbeing outcomes. Provides an opportunity to practice <i>kotahitanga</i> through coordination with other public agencies.</p>
Simplifies welfare system settings for clients	Potential to remove social obligations and sanctions which would simplify welfare settings to better meet the needs of clients.
Reduces unnecessary compliance-based activities for MSD staff managers and clients	Further work is needed to understand exactly how much time is spent engaging with clients on social obligations, and what these interactions look like. It may be that the time spent working with clients on social obligations may be better used to support clients to find employment, access housing and/or ensure they are receiving their full and correct entitlement and all the support they need, especially in a time when demand for MSD services is high.

The drug testing obligation and sanction could be included in the initial phase of review

- 49 Current settings require people receiving a main benefit to take and pass a drug test if it is part of the application process for a job or training course, and they have part-time or full-time work obligations. Sanctions can be imposed for failure to comply or failure to pass the test. There is no requirement in the New Zealand welfare system to participate in medical treatment in order to qualify for or continue to receive benefits themselves. Around 100 sanctions are applied for drug-related obligation failures each year.⁴

⁴ Obligations and Sanctions Rapid Evidence Review Paper 4: Drug Testing Obligations and Sanctions, November 2018, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/weaq-report-release/obligations-and-sanctions-rapid-evidence-review-paper-4-drug-testing-obligations-and-sanctions.pdf>.

- 50 If a client advises that they will not pass a drug test in a general conversation that is not linked to a specific opportunity, they are encouraged to seek help and support to stop taking drugs. Clients will be asked to see their general practitioner or contact the Alcohol Drug Helpline and they will not be referred to jobs or training opportunities for 30 working days. This period can be extended for up to six months with verification from a health professional.
- 51 The policy rationale for the drug testing obligation and sanction is to send a strong signal that failing to pass a pre-employment drug test (or not applying for a drug-tested job to which they are referred) is not consistent with being available for work and therefore unacceptable, and to help expand the range of jobs that beneficiaries can be considered for.
- 52 There is currently little evidence on the effects of drug testing obligations and sanctions for welfare recipients. There is also no research on the effects of New Zealand drug testing obligations and sanctions. The available evidence does not, on the whole, suggest improved outcomes from compulsory treatment approaches, with some studies suggesting potential harms.⁵
- 53 The WEAG recommended that MSD remove pre-employment drug testing and provide specialised support for people with substance use disorders instead. MSD's research shows that New Zealanders who develop a substance use disorder are more likely than average to be male, have low incomes, low educational attainment, and live in deprived areas. After adjusting for socio-demographic characteristics, prevalence rates for Māori (six per cent) are higher than for Pacific people and all other ethnicities (approximately three per cent each).⁶
- 54 We propose reviewing the drug testing obligation and sanction in this first phase. This will allow us to explore options for removing the sanction and improving access to support for people with substance use disorders.
- 55 The below table demonstrates the rationale against our criteria for review of the drug testing obligation and sanction:

Criteria	Assessment
Aligns with the Government's vision for the welfare system	<p>Opportunity to explore proactive approaches to ensure that clients are given the support to access specialised support for people with substance use disorders, rather than reducing their income when they are potentially already vulnerable.</p> <p>Could send a strong message about rebalancing mutual expectations and ensuring that clients live in dignity and are treated equitably.</p>
Aligns with MSD's working policy framework	<p>Purposes: The drug testing obligation has some alignment with employment goals, as it signals that clients should be prepared for work, including those with drug-testing requirements. However, sanctioning a client for failing a drug test may not address the underlying causes, such as addiction issues.</p> <p>Values: Supports <i>manaakitanga</i> by upholding client's dignity, and <i>takatutanga</i> by rethinking how the welfare system encourages behavioural change. Could support <i>kotahitanga</i> if we are able to partner</p>

⁵ Obligations and Sanctions Rapid Evidence Review Paper 4: Drug Testing Obligations and Sanctions, November 2018, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/weag-report-release/obligations-and-sanctions-rapid-evidence-review-paper-4-drug-testing-obligations-and-sanctions.pdf>.

⁶ Obligations and Sanctions Rapid Evidence Review Paper 4: Drug Testing Obligations and Sanctions, November 2018, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/weag-report-release/obligations-and-sanctions-rapid-evidence-review-paper-4-drug-testing-obligations-and-sanctions.pdf>.

	with service providers, including Māori and Iwi providers to link to better substance use support for clients to help them to meet employment drug-testing requirements.
Simplifies welfare system settings for clients	Potential to remove obligations and sanctions which would simplify welfare settings for clients requiring substance use support.
Reduces unnecessary compliance-based activities for MSD staff managers and clients	The time spent sanctioning clients for failing a drug test may be better spent ensuring that they are receiving all the support they need to progress towards gaining employment, including substance use support.

The warrant to arrest obligation and sanction could be included in the initial phase of review

- 57 A warrant to arrest is issued in a range of circumstances. Usually it is for not attending a scheduled court appearance. If a client is officially deemed to be a public risk, their benefit is suspended immediately. A client who has a warrant to arrest may have their benefit reduced or suspended if they do not take reasonable steps to resolve it.
- 58 The policy intent of this sanction is to remove the possibility that benefit income is used to actively facilitate non-compliance with legal obligations (using money to “evade the law”), by encouraging clients who have a warrant to arrest to contact the Ministry of Justice. The rationale is that a sanction (or threat of) creates a greater incentive for clients to resolve their warrant to arrest and means that tax-payer money cannot be used for unlawful activities. A data matching agreement allows the Ministry of Justice to supply MSD with information about people with unresolved warrants.
- 59 We propose exploring alternatives to the existing sanction. Sanctions are likely to exacerbate existing difficulties that a client may be facing to resolve the warrant to arrest. Arrest and remand can have significant impacts on individuals and their whānau when payments are stopped. Housing and childcare arrangements can be affected. Taking a more proactive approach to contact these people early and support them through the process will better support their whānau.
- 60 The WEAG recommended that MSD remove the sanction suspending benefit payments if people have a warrant out for their arrest, continue data matching with the Ministry of Justice and take a proactive supportive approach to contacting these people.
- 61 The below table demonstrates the rationale against our criteria for review of the warrant to arrest obligation and sanction:

Criteria	Assessment
Aligns with the Government's vision for the welfare system	Opportunity to ensure the settings of the welfare system are aligned with its core purpose, rebalance mutual expectations and ensure that clients live in dignity and are treated equitably to other New Zealand citizens.
Aligns with MSD's working policy framework	<p>Purposes: The intent of the warrant to arrest sanction is to encourage compliance with Ministry of Justice obligations and to ensure that tax-payer money is not being used for unlawful activities.</p> <p>Values: Supports <i>manaakitanga</i> by upholding client's dignity, treating clients equitably and <i>takatutanga</i> by challenging traditional punitive measures that have been implemented to encourage behavioural change, and being prepared to try new ways of working that work for Māori.</p>
Simplifies welfare system settings for clients	Potential to remove obligations and sanctions which would simplify welfare settings to better connect with and support clients.

Reduces unnecessary compliance-based activities for MSD staff managers and clients	The time spent sanctioning clients for not resolving their warrant to arrest may be better spent ensuring that they are receiving all the support they need and to gain employment.
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Next steps

- 63 If you agree to the proposed approach for reviewing obligations and sanctions, we will develop an engagement plan for the review which would align with the overall engagement plan for resetting the foundations of the welfare system. This includes the development of the kaupapa Māori values framework and the review of the purpose and principles of the Social Security Act 2018. We propose that our initial engagement for the review would consist of targeted consultation with key stakeholders.
- 64 We will provide you with advice on each of the identified areas in the proposed initial phase in early 2021.

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Report

Date: 23 July 2020

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development

This report contains legal advice which is legally privileged. It should not be disclosed on an information request without further legal advice.

Options to remove the temporary operational changes made to food grant limits as part of the COVID-19 response

Purpose of the report

- 1 This report provides you with information on removing the temporary operational changes that were made to food grant limits in response to COVID-19 and potential options to maintain the temporary increase for a longer time period.

Recommended actions

It is recommended that you:

- 1 **note** the Ministry of Social Development (MSD) made temporary operational changes to increase food grant limits to allow people to seek food grants online via MyMSD due to the unprecedented impacts of COVID-19 on demand for MSD services
- 2 **note** this change was intended to be temporary and MSD planned to reinstate the original food grant limits as soon as was appropriate and feasible
- 3 s 9(2)(h) OIA
[REDACTED]
[REDACTED]
[REDACTED]
- 4 **note** your Office has asked for advice on options to maintain the temporary increase to food grant limits for a longer time period

5 **agree** to either:

- 5.1 **option one:** remove the temporary operational changes made to food grant limits and reinstate the original food grant limits as soon as possible, on **Monday 10 August 2020** (recommended)

agree / disagree

OR

- 5.2 **option two:** seek funding and Cabinet approval for a policy change that would maintain the increased food grant limits for a temporary time period beyond Monday 10 August 2020 **of either:**

- 5.2.1 approximately 3 months of funding to Monday 2 November 2020:
\$26.55 million

agree / disagree

OR

- 5.2.2 approximately 6 months of funding to Monday 1 February 2021:
\$56.55 million

agree / disagree

OR

- 5.2.3 approximately 12 months of funding to Monday 26 July 2021:
\$117.73 million (preferred)

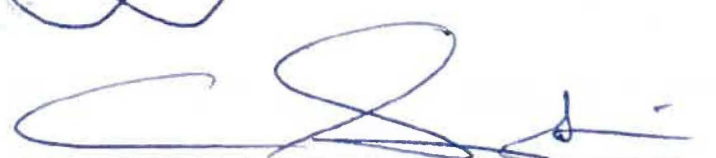
agree / disagree

6 **note** there are risks associated with recommendation 5.2 and that if you wish to progress with this option it would require a policy decision, funding and a Cabinet paper that would need to be considered by Monday 10 August 2020

7 **note** MSD recommends option one: to remove the temporary operational changes made to food grant limits and reinstate the original food grant limits as soon as possible, on Monday 10 August 2020.


Viv Rickard
Deputy Chief Executive Service Delivery

23/07/2020
Date


Hon Carmel Sepuloni
Minister for Social Development


26/7/20
Date

We operationally increased food grant limits due to the unprecedented demands presented by COVID-19

- 1 As part of MSD's immediate response to COVID-19, temporary operational changes were made to increase each food grant limit category by \$400 in a 26-week period. This was done from 1 April 2020 (during Alert Level 4 lockdown) to:
 - ensure that those who had an immediate and essential need for food were able to access financial assistance without delay
 - divert some clients away from contact centres and the frontline to MyMSD for food grants, allowing MSD to manage the unprecedented demand for financial assistance as a result of COVID-19.
- 2 The food grant limits as set out in the Special Needs Grants Welfare Programme (SNG Welfare Programme) did not change. The operational change resulted in a channel shift, allowing clients to access an increased amount of financial assistance for food grants online through MyMSD and diverting some people away from contact centres during the lockdown period. Under usual settings, if people had reached their food grant limit and had applied online, they would be directed to call MSD to establish whether there were exceptional circumstances that justified exceeding the limits. Diverting people away from contact centres meant that MSD had more capacity to process and grant assistance such as main benefits and wage subsidies as a priority.
- 3 The operational change to food grant limits has continued throughout Alert Level 4 and lower alert levels, due to the exceptional circumstances presented by COVID-19.

Now that New Zealand is in Alert Level 1, MSD recommends reinstating the original food grant limits on 10 August 2020

We recommend operationally reinstating the original food grant limits as soon as possible

- 4 Now that New Zealand is in Alert Level 1, we need to remove the temporary operational food grant limits and reinstate the original limits as per the SNG Welfare Programme as soon as possible. This is because:
 - s 9(2)(h) OIA 
 - more people can exceed their original food grant limits the longer that this temporary change remains in place. This would increase the number of people who would be required to contact MSD when the limits are reverted and therefore increase pressure on MSD services.
- 5 Due to these factors, we recommend reverting to the original limits as soon as possible, with the first possible date now being Monday 10 August 2020.
- 6 Maintaining the increase beyond this date would require a policy change, funding and amendments to the SNG Welfare Programme.

People will still be able to access food grants when they are in hardship, but more people we need to contact MSD to do so

- 7 While people will still be able to access food grants if they are in hardship (even if they are in excess of their food grant limit), reinstating the original food grant limits will mean that there is a shift in demand, from MyMSD back to contact centres and the frontline. While there are limits on the amount of food grants that people can seek in a 26-week period, MSD may provide grants that exceed the limits if there are exceptional circumstances. If someone has reached their limit, they are directed to

contact MSD to assess whether exceptional circumstances exist and if a further grant can be made.

- 8 There will be a group of people who will 'newly' be required to contact MSD should they require a further food grant. This group would have previously not had to contact MSD as they are currently below the new temporarily increased food grant limits and are able to apply for food grants on MyMSD. However, these people will be at or over their original food grant limits when the temporary limits are removed and will be required to contact MSD to assess if there are exceptional circumstances to exceed their original limit.
- 9 As a result of removing the temporary change, we estimate that the number of people who are expected to apply for a grant in a given month, and who would need to speak to a staff member to do so, is a maximum of around 46,000.¹
- 10 Operationally reinstating the original food grant limits will have two main implications:

21.1 A channel shift from MyMSD to contact centres or the frontline: an estimated maximum of 46,000 more people per month over the next few months may need to speak to a staff member to establish exceptional circumstances and obtain food grants (should they require one). We estimate that 65 percent of clients affected by this change currently apply for food assistance via MyMSD. Of these, we expect that 75 percent will apply via the contact centre and 25 percent will apply via frontline based on existing client behaviour.

10.2 While people who require support will still remain eligible to receive food grants if they are in hardship, reinstating the original limits will have three main impacts on clients:

- They may be required to call MSD rather than apply for food grants via MyMSD.
- There may be an increase in time taken to access support from MSD due to increased demand.
- It may take longer than expected for some clients to return to a positive food balance which may cause confusion and misunderstanding.

MSD is preparing to manage this potential increase in demand

- 11 To manage this potential increase in demand, MSD will:
 - train additional contact centre resources (currently managing COVID-19 Income Relief Payment calls) to manage food hardship end-to-end
 - continue our existing focus on reducing the volume and turnaround time for frontline work-on-hand activity
 - notify affected clients who currently apply for this assistance via MyMSD up-front prior to the change to try and mitigate confusion.
- 12 The timing of the change is crucial in being able to effectively mitigate the operational impact of the limit change. Ideally we would avoid coinciding with the cessation of the COVID-19 Income Relief Payment (with no further payments after 11 February 2021), Winter Energy Payment (1 October 2020), and the regular seasonal peak demand period between January and April.

¹ Approximately 60,000 clients are in this situation and averaged 0.75 grants per month in their 6 months leading up to 29 May 2020. The 46,000 figure is likely to be a maximum, as it assumes that everyone who applies online and finds out they must call MSD does so. A proportion of these people may not. This number will also decrease over time as people move off benefit.

- 13 While there will be an increase in demand if limits are reinstated on Monday 10 August 2020, officials expect this increase to be less than the option to maintain the increase for an extended period and reinstate limits at a later date (discussed below).

Maintaining increased food grant limits beyond 10 August 2020 would be a policy decision that would require funding, Cabinet approval and changes to the SNG Welfare Programme

A policy decision and funding would be required to maintain the increased limits on a temporary basis...

- 14 As the intention of the food grant limit increase was an operational channel shift to enable people to access food grants more easily online via MyMSD, funding and Cabinet approval was not sought to make the temporary change. **s 9(2)(h) OIA**

- 15 **s 9(2)(h) OIA**

- 16 A policy and funding decision would be required if the temporary \$400 increase to limits were to stay in place beyond Monday 10 August 2020 (the recommended date for reinstating the original limits). This would require funding and taking a paper to Cabinet approval.

- 17 We have estimated the cost of maintaining increased food grant limits as a policy change on a temporary basis and these are provided in the table below. These are indicative example dates.

Date	Cost
Approximately 3 months of funding to Monday 2 November 2020	\$26.55 million
Approximately 6 months of funding to Monday 1 February 2021	\$56.55 million
Approximately 12 months of funding to Monday 26 July 2021 ²	\$117.73 million

- 18 There are limited opportunities to progress this change through Cabinet. If a decision was made to progress this option by Monday 27 July 2020, the following truncated timeframes would need to be met:

² This date better aligns with the rest of MSD's temporary changes to income support settings as a result of COVID-19, such as the temporary removal of initial income stand-downs (CAB-20-MIN-0328.20 refers).

s 9(2)(f)(iv) OIA

Date	Action
29 July 2020 – 4 August 2020	Cabinet paper out for both departmental and Ministerial and cross-party consultation (truncated to under one week).
6 August 2020	Cabinet paper lodged.
10 August 2020	Cabinet paper considered and agreed to at Cabinet Committee. Amendments to the SNG Welfare Programme to enable this would also need to be made in line with this date.

- 19 If Cabinet did not approve the proposal, MSD would need to reassess the next best date for reinstating the original limits (as Monday 10 August 2020 would not be achievable), to ensure the appropriate delivery and communications plans could be put in place. This would likely be later in August 2020. **§ 9(2)(h) OIA**
- 20 If the option to maintain increased food grant limits is progressed, we will work with the Treasury on the financial implications of this proposal. We have not consulted the Treasury to date on this.

... and there are risks associated with this option

- 21 There two main risks with seeking funding to temporarily maintain this change:
- 21.1 Increasing the number of people who will need to contact MSD when the limits are eventually reinstated:** more people are enabled to exceed their original food grant limits the longer that the temporarily increased limits remain in place (even with a policy change and funding approved). This will increase the number of people (likely over the estimated 46,000 people per month for reinstating changes on Monday 10 August) who would be required to contact MSD when the limits are reverted. This will have an impact on client experience and will also increase pressure on MSD services and staff beyond what is expected if MSD reverts to the original limits on Monday 10 August 2020. If this were to occur around the same time as the cessation of the COVID-19 Income Relief Payment, Winter Energy Payment or the regular seasonal peak demand³ period between January and April, there would be further increased demand on MSD.
- 21.2 Precedent of making a temporary policy change to food grants:** making a policy change to temporarily increase food grant limits may set a precedent that these temporary limits will remain permanently. Some may also view this as the Government acknowledging inadequacy of payments in this area, only to later remove this change.

³ We also need to consider that demand for MSD's services may be at its largest in early 2021 (with Jobseeker Support demand currently estimated to peak around early 2021, however this is highly uncertain).

If this option were to progress, MSD's preferred date for change is Monday 26 July 2021

- 22 We consider that of the three dates, Monday 26 July 2021 is the preferred date for a temporary extension. From an operational perspective this date presents the least risk as the alternative dates interact with holidays, peaks in MSD work flows and the cessation of the COVID-19 Income Relief Payment. However, the risks of increased client impact and precedent issues will remain.
- 23 MSD would need to undertake further work to assess the full impacts associated with continuing with this change until July next year. As there would likely be more people in excess of their food limits at the point of change, we would need to consider transitional provisions to reduce the impact on clients. § 9(2)(f)(iv) OIA
- we will provide you with further advice on these implications.

MSD recommends reinstating the original food grant limits on 10 August 2020 and is currently preparing for this change

- 24 Reinstating the original food grant limit will impact clients as well as MSD staff. However, making a policy decision to maintain the increase beyond 10 August 2020 has potentially more negative impacts. On balance MSD therefore recommends reinstating the original food grant limits as soon as possible, on Monday 10 August 2020.
- 25 This change requires a strong communications response from MSD. Service Delivery are currently developing a communications plan and is considering a phased approach to key stakeholders. We will work with your Office on finalising the communications plan.
- 26 The Beneficiary Advocates Group were made aware that MSD was working through next steps for the temporarily increased food grant limits at their regular meeting with MSD on 9 July 2020.
- 27 We are also considering how to position the Government investment of \$32 million over two years to provide support for foodbanks, food rescue and other community-based organisations who are distributing food, in the context of this change.

Next steps

- 28 If you agree to remove the temporary operational changes made to food grant limits, we will continue preparations for this and keep your Office informed of our communications plan.
- 29 If you agree to seek funding and Cabinet approval for a policy change to maintain the increased food grant limits for a temporary time, there would be limited opportunities for progressing this change. If a decision was made to progress this option by Monday 27 July 2020, a Cabinet paper would need to be considered by Monday 10 August 2020.
- 30 Hardship assistance limits are due to be considered as part of the welfare overhaul work programme, however this is a broader look at limits and other settings across all forms of hardship assistance. § 9(2)(f)(iv) OIA

REP/20/7/844

Aide-mémoire



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

Cabinet and Executive Council

Date: 30 July 2020

Security Level: Cabinet Sensitive

For: Hon Carmel Sepuloni, Minister for Social Development

File Reference: REP/20/7/885

Social Security (COVID-19 Recovery-Exemption from Stand Down, and Expiry and Regrant of Benefits) Amendment Regulations 2020

**Cabinet and
Executive Council** 3 August 2020

Minister Hon Carmel Sepuloni, Minister for Social Development

Proposal You are presenting the Social Security (COVID-19 Recovery-Exemption from Stand Down, and Expiry and Regrant of Benefits) Amendment Regulations 2020 (the Amendment Regulations) to Cabinet and Executive Council, which will:

- create a time-based exemption from the 52-week reapplication requirement for Jobseeker Support and Sole Parent Support clients whose benefit will expire between 24 September 2020 and 29 March 2021; and
- create a new exemption from initial income stand-downs, which will end on 24 July 2021.

Talking points MSD continues to face significant demand for its services due to the impacts of COVID-19.

To ensure MSD can continue to meet increased demand as New Zealand works towards COVID-19 recovery, Cabinet agreed in July to extend some of the temporary measures put in place in March 2020, including:

- a further six-month temporary suspension of the 52-week reapplication requirement until end of March 2021; and
- a further eight-month temporary removal of the initial income stand-down period until 24 July 2021.

These extensions will help reduce administrative burden for clients and enable them to access assistance sooner during

these uncertain times. They will also help reduce the significant operational pressure on MSD.

The extension of the suspension of the 52-week reapplication requirement is expected to apply to approximately 81,000 reapplications due during the extension period.

The extension of the temporary removal of initial income stand-downs is expected to apply to around 140,000 applications that would otherwise be subject to stand-downs during the extension period.

Cabinet agreed to fund these extensions through the Budget 2020 COVID-19 Response and Recovery Fund.

The proposed Amendment Regulations will give effect to these extensions.

As required under sections 440(4) and (5) of the Social Security Act 2018, I recommend that the exemption regulation be made in relation to initial income stand-downs. I am satisfied, having regard to the purpose and principles specified in sections 3 and 4 of the Act, to the purpose of the stand-down concerned, and to the purpose of the regulations, that the proposed exemption is not broader than is reasonably necessary to address the matters that give rise to the regulations. There are no other statutory prerequisites for these Amendment Regulations.

Background

MSD made temporary changes in response to COVID-19

In March 2020, Cabinet agreed to temporarily change some of the settings of the welfare system in response to increased demand for MSD services and to ensure the health and safety of clients and staff. The changes included:

- **Suspension of the 52-week reapplication requirement** – 52-week reapplication is a mandatory annual check-in between MSD and clients receiving Jobseeker Support (JS) and Sole Parent Support (SPS). All 52-week reapplications due between end of March and end of September 2020 were cleared until 2021 [CAB-20-MIN-0130 refers].
- **Temporary removal of initial income stand-downs** – people applying for a main benefit can have an initial income stand-down for one to two weeks before their benefit commences, depending on their previous income and family circumstances. This was temporarily removed for eight months to ensure those affected by the impacts of COVID-19 would have access to the income support system as quickly as possible [CAB-20-MIN-0086 refers].

In July 2020, Cabinet agreed to extend some of these temporary measures to ensure MSD continued to meet increased demand

On 6 July 2020, Cabinet agreed to extend some of the temporary measures that were put in place in March 2020 [CAB-20-MIN-0328 refers], including:

- an extension of the suspension of the 52-week reapplication requirement for JS and SPS for another six months until end of March 2021; and
- an extension of the temporary removal of initial income stand-downs for another eight months until 24 July 2021.

The extension of the suspension of the 52-week reapplication requirement is expected to apply to approximately 81,000 reapplications due during the extension period.

The extension of the temporary removal of initial income stand-downs is expected to apply to around 140,000 applications that would otherwise be subject to stand-downs during the extension period.

Cabinet also agreed to fund these extensions through the Budget 2020 COVID-19 Response and Recovery Fund.

Timing

§ 9(2)(h) OIA [REDACTED]

To ensure that the Amendment Regulations come into force as soon as practicable, Cabinet Legislation Committee has agreed to waive the 28-day rule § 9(2)(h) OIA [REDACTED]

[REDACTED] The Amendment Regulations also confer only benefits on the public.

Next Steps

The Social Security (COVID-19 Recovery–Exemption from Stand Down, and Expiry and Regrant of Benefits) Amendment Regulations 2020, if approved, will be published in the New Zealand Gazette on 6 August 2020, and come into force on 10 August 2020.

Author: § 9(2)(a) OIA Senior Policy Analyst, Income Support Policy

Responsible manager: § 9(2)(a) OIA Policy Manager, Income Support Policy



Report

Date: 31 July 2020

Security Level: IN CONFIDENCE

To: Hon Grant Robertson, Minister of Finance

Hon Carmel Sepuloni, Minister for Social Development

COVID-19 Income Relief payment – Characteristics and uptake

Purpose

- 1 This report provides an update on:
 - information on COVID-19 Income Relief payment (CIRP) recipients compared to those that have moved onto Jobseeker Support – Work Ready (JS-WR) since March 2020
 - uptake of CIRP so far and possible reasons why uptake has been less than originally forecasted
 - MSD's communications strategy to increase uptake of CIRP.

Executive Summary

- 2 CIRP provides up to 12 weeks of financial support to people who have lost their job or business because of the impacts of COVID-19. The CIRP was introduced on 8 June 2020 for those who lost their job due to COVID-19 and people could apply for this payment if they had lost their job since 1 March 2020.
- 3 Compared to the recent (post March 2020) JS-WR population, CIRP recipients on average are older, more likely to be in a relationship, more likely to have been in employment, had higher previous earnings and more likely to have previously been in receipt of the COVID-19 Wage Subsidy Scheme (the Wage Subsidy).
- 4 The initial costings were finalised in May 2020 and were based on the Budget Economic and Fiscal Update 2020 (BEFU 2020) macroeconomic and benefit forecasts. It was noted at the time that demand for the payment was highly uncertain and would be driven by the prevailing economic conditions and other Government responses to COVID-19.
- 5 In general, demand for this payment has been significantly lower than anticipated. So far, the uptake of CIRP has been lower than anticipated because:
 - 5.1 the Wage Subsidy Extension has likely preserved jobs and reduced unemployment (at least in the short term). The extension was not factored into the forecasts as the two initiatives were developed at the same time
 - 5.2 to date, the economy has been faring better than originally expected. However, we are likely to see an increase in the number of people moving onto CIRP as the Wage Subsidy Extension ends, even if their jobs are currently being supported by the Wage Subsidy
 - 5.3 fewer people transferring from JS-WR to CIRP than expected.
- 6 There are multiple reasons for lower than expected transfers from JS-WR to CIRP, which include a lack of awareness of CIRP, people not being eligible, and people choosing not to

transfer to CIRP. The retrospective nature of eligibility has also resulted in additional delivery complexities. MSD does not necessarily hold the relevant information to proactively assess eligibility of the existing benefit population without contacting clients and seeking further information. Where it does hold the required information, it cannot be easily extracted without significant manual intervention. Following 8 June 2020 (the implementation date of CIRP), people applying for benefit assistance are assessed for both CIRP and other benefits which will help with CIRP uptake for people newly seeking support from MSD.

- 7 In response to the lower than expected uptake of CIRP from the existing benefit population, in late June 2020 MSD undertook a targeted email campaign to contact clients who may potentially be eligible for CIRP. The response rate for the email campaign is higher than industry standard and on par with other MSD campaigns. The email campaign was intended to support uptake, while balancing against the need to manage the unprecedented level of demand for existing MSD services.
- 8 Further communications (targeted at both existing JS-WR recipients and those not currently accessing MSD supports) could include additional social media and stakeholder communications; a direct messaging campaign which includes text messaging; promotions on recruitment sites such as Seek and Trade Me and/or radio stations; and proactively providing CIRP information to employers receiving the Wage Subsidy Extension ahead of its upcoming expiration.
- 9 MSD will continue to develop its communications strategy following further analysis of the circumstances of people who were included in the email campaign and will update the Minister for Social Development on the next steps in mid-August. MSD continues to face high demand for our services, and consequently does not have the capacity to proactively call every client who was sent an email as part of the proactive campaign.

Recommended actions

It is recommended that you:

- 1 **agree** to refer a copy of this report to the Employment, Education and Training Ministers for their discussion on 6 August 2020.

agree/disagree

Minister of Finance

s 9(2)(a) OIA

Manager
The Treasury

Hon Grant Robertson
Minister of Finance

agree/disagree

Minister for Social Development

s 9(2)(a) OIA

Policy Manager
Ministry of Social Development

Hon Carmel Sepuloni
Minister for Social Development

Information on CIRP recipients and people that have moved onto Jobseeker Support – Work Ready since March 2020

- 10 The COVID-19 Income Relief Payment (CIRP) provides up to 12 weeks of financial support to people who have lost their job or business because of the impacts of COVID-19. It helps soften the shock from unemployment and sudden income loss and minimise disruption for people as they look for other work or retrain.
- 11 The CIRP has been available since 8 June 2020 for those who lost their job due to COVID-19. People could apply for this payment if they had lost their job since 1 March 2020.
- 12 The following analysis of CIRP recipients uses Integrated Data Infrastructure (IDI)¹ data as at 17 July 2020. The figures in this report differ to official MSD reporting and therefore should not be compared. IDI data is used in this report as it provides more comprehensive analysis, including data on previous employment, earnings, industry worked and previous wage subsidy receipt.

The COVID-19 Cohort

- 13 Total main benefit grants have increased significantly since the start of the COVID-19 level 4 lockdown, driven mostly by a rise in Jobseeker Support – Work Ready (JS-WR) grants. Previous analysis shows that recent JS-WR grants are likely to be younger, New Zealand European and have little or no recent benefit history compared with existing pre-COVID JS-WR recipients.
- 14 Since 1 March 2020, almost 84,000 more people are now receiving either JS-WR or CIRP (as at 17 July). The figure below shows the cohort that have started receiving JS-WR since 1 March 2020 (split by whether they had recorded salary/wages in 2020 or not) or the CIRP (the "COVID-19 Cohort").

COVID-19 Cohort (IDI analysis)

JS-WR (Recent employment) 38.6k	(No recent employment) 27.2k	CIRP 18.2k
---------------------------------------	---------------------------------	---------------

- 15 Approximately 41% of new JS-WR recipients did not receive wages or salary in 2020.² This is likely to reflect that some people receiving JS-WR do so for reasons other than job loss, for example students who finish their studies or New Zealand residents/citizens returning from overseas.

Demographic information of COVID-19 Cohort (using the IDI)

- 16 **Age:** In general, CIRP recipients are older than the new cohort of JS-WR recipients. Approximately half of CIRP recipients are aged 35+, while only a third of new JS-WR recipients fall in this group.
- 17 **Ethnicity:** A lower proportion of CIRP recipients identify as Maori³ compared with new JS-WR recipients, irrespective of recent employment history (19% for CIRP vs 33% for new JS-WR). However, this proportion is lower than the existing cohort of JS-WR recipients.
- 18 **Partnership status:** One of the big policy differences between CIRP and JS-WR is the unit of assessment. Eligibility for CIRP is largely dependent on individual circumstances with a relatively generous income test based on partners' earnings, while main benefit eligibility is more limited due to a strict partner income test. Around 13% of the new cohort of JS-WR

¹ Access to the IDI was managed by Statistics New Zealand under strict micro-data access protocols and in accordance with the security and confidentiality provisions of the Statistic Act 1975. These findings are not Official Statistics.

² A small proportion (4%) of CIRP recipients didn't have a recent wage or salaried job according to the IDI however they may have been self-employed.

³ Using the total response method for classifying ethnicity.

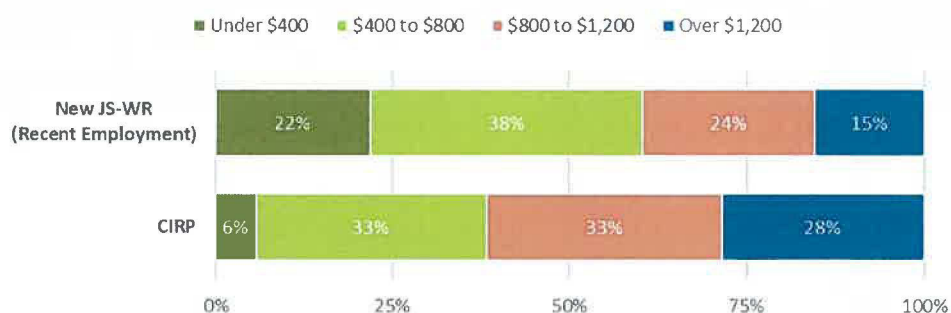
recipients have a partner according to IDI data, while 32% of CIRP recipients have a partner (around three-quarters of which are still working).

- 19 **Location:** CIRP has a different regional distribution compared to the existing stock of JS-WR recipients. Areas with large existing JS-WR populations such as Gisborne and Northland have in contrast smaller proportions of their populations receiving CIRP. A larger proportion of the CIRP recipients are from the South Island.
- 20 **Accommodation costs:** Almost half of CIRP recipients are also receiving the Accommodation Supplement according to MSD administrative data. 15% of this group have a mortgage, with average housing costs of \$496. The average housing costs, and the proportion of people with a mortgage, are both higher for CIRP recipients compared to AS recipients on average.

Previous employment

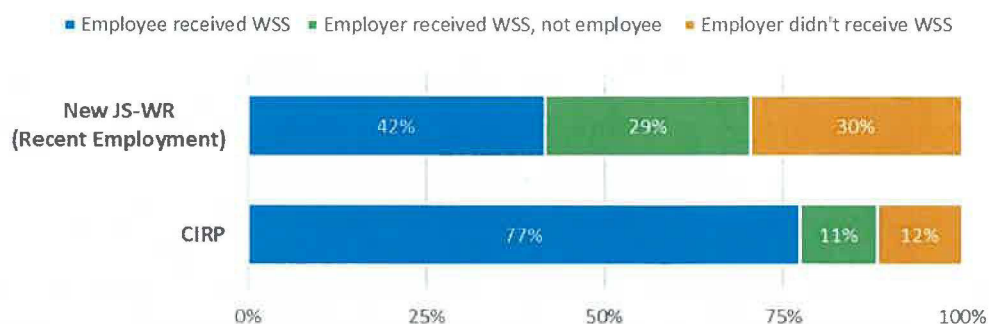
- 21 **Previous earnings:** CIRP recipients tend to have higher previous earnings than the new cohort of JS-WR recipients that were employed in 2020 prior to moving onto benefit.

Average weekly pay in 2020 from most recent employer (IDI analysis)



- 22 **Wage subsidy:** CIRP recipients were much more likely to have previously been supported by the wage subsidy directly. 30% of new JS-WR recipients' previous employers did not claim the wage subsidy, compared to only 12% of CIRP recipients.

Wage Subsidy (IDI analysis)



- 23 **Previous industry:** The top 5 previous industries for CIRP recipients are the same as those for the Wage Subsidy Extension (WSX) by employees supported. The main difference between CIRP and the new JS-WR recipients is regarding Agriculture (3rd most common for JS-WR vs 12th for CIRP). This may be due to this work being more seasonal, and therefore less likely to qualify for CIRP.

Top 5 WSX industries	Top 5 CIRP industries	Top 5 JS-WR industries
1. Accommodation and Food services (hospitality)	1. Accommodation and Food services (hospitality)	1. Admin and support services
2. Construction	2. Manufacturing	2. Manufacturing
3. Manufacturing	3. Admin and support services	3. Agriculture
4. Admin and support services	4. Professional, science and technical services	4. Accommodation and Food services (hospitality)
5. Professional, science and technical services	5. Construction	5. Retail Trade

- 24 **Firm size:** New JS-WR recipients were also slightly more likely to have worked for a large employer (100+ employees) than CIRP recipients which may be explained by industry differences.

Demand for CIRP has not been as high as originally anticipated

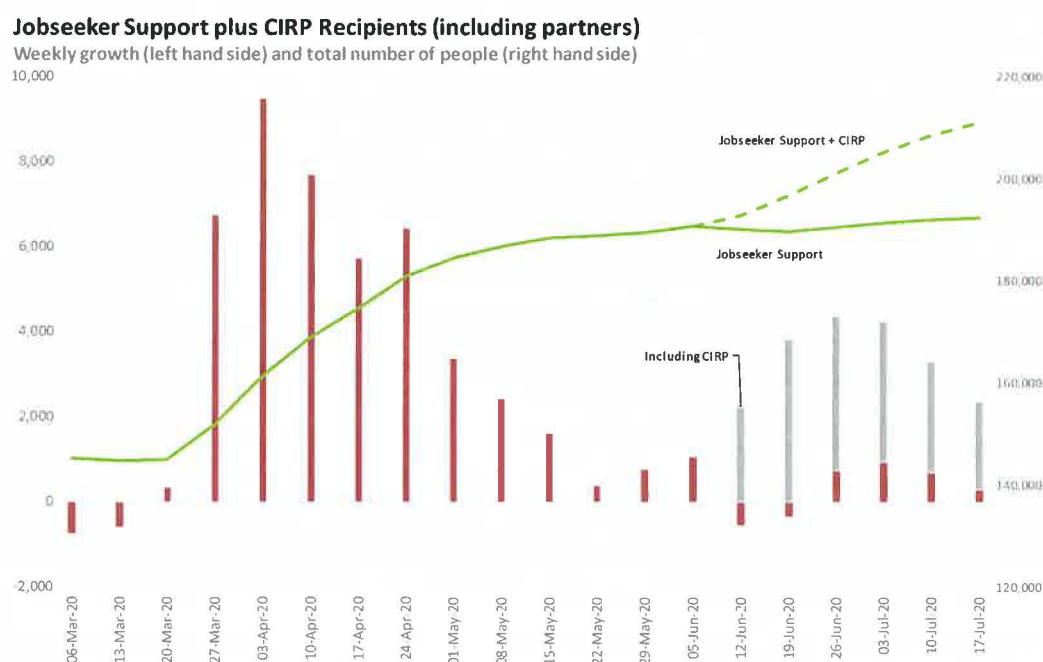
The modelling for CIRP was highly uncertain and economic conditions appear better than originally anticipated at the time of BEFU 2020

- 25 The original forecasts for CIRP anticipated that there would be 230,000 recipients across the entire period of CIRP, with 125,000 people anticipated to be receiving CIRP by July 2020.
- 26 The initial costings were finalised in May 2020, and were based on the Budget Economic and Fiscal Update 2020 (BEFU 2020) macroeconomic and benefit forecasts. These forecasts assumed there would be considerable growth in unemployment as people moved off the Wage Subsidy and onto Jobseeker Support. It was noted at the time that demand for the payment was highly uncertain and would be driven by the prevailing economic conditions and other Government responses to COVID-19.
- 27 To date, the economy seems to be faring better than initially expected. This is in part because decisions on the Wage Subsidy Extension were not factored into the BEFU forecasts. If the Wage Subsidy Extension was factored in, it likely would have decreased the forecast number of people on CIRP (as well as Jobseeker Support) in the short-term, due to these people being covered by the Wage Subsidy Extension.
- 28 However, we are likely to see an increase in the number of people moving onto CIRP as the Wage Subsidy Extension ends, even if their jobs are currently being supported by the Wage Subsidy. As noted in the previous section, almost 90% of current CIRP recipients' previous employers received a wage subsidy. Separate IDI analysis suggests that as at 13 July, approx. 10% of Wage Subsidy Extension recipients (approx. 30-35k jobs) were being paid at the minimum full-time rate. Jobs receiving only the minimum rate could be considered more at risk for redundancy when the wage subsidy ends.
- 29 The number of people on JS-WR is also tracking below forecast. The costings for CIRP assumed that a large proportion of the expected number of people on Jobseeker Support would transfer onto CIRP.

So far, the uptake of CIRP has been lower than anticipated

- 30 As shown in Figure 1 below, the weekly growth in CIRP and JS has slowed in the last three weeks. The red bars represent the weekly change in JS recipients, and the grey bars represent the weekly change in CIRP recipients. It is important to note that the number of CIRP recipients, combined with the number of people on JS, is still increasing over time (even though weekly growth has slowed), as the economic effects of COVID-19 continue to weaken the labour market.

Figure 1



The number of transfers from Jobseeker Support to CIRP has also been lower than expected

- 31 The costings for CIRP assumed that a significant proportion of those on JS would transfer to CIRP. This has not occurred as anticipated, with only around 17 percent of people that have been granted the relief payment transferring across from JS.
- 32 The reasons for lower than expected transfers to CIRP are outlined further below. Reasons include a lack of awareness of CIRP, people not being eligible and people choosing not to transfer to the relief payment.

Differences in policy settings

- 33 Not all those that lost their job recently would qualify for CIRP. For example:
 - 33.1 To qualify for CIRP, the person must have been normally working 15 hours or more a week (for 12 weeks or more) immediately prior to the loss of work.
 - 33.2 CIRP is specifically targeted to those who lose their job due to the impacts of COVID-19
 - 33.3 some people receiving JS do so for reasons other than job loss, for example students who finish their studies or New Zealand residents/citizens returning from overseas.
- 34 Sometimes there is also a significant gap between job loss occurring and coming onto Jobseeker Support (e.g. people drawing on their own resources first before seeking benefit assistance).

Operational factors

- 35 The retrospective nature of eligibility has also resulted in additional delivery complexities. MSD does not necessarily hold the relevant information to proactively assess eligibility of the existing benefit population without contacting clients and seeking further information. Where it does hold the required information, it cannot be easily extracted without manual intervention. Both of these interventions would be administratively burdensome.
- 36 Following 8 June 2020 (the implementation date of CIRP), people applying for benefit assistance are assessed for both CIRP and other benefits which will help with CIRP uptake for people newly seeking support from MSD.

- 37 There may also be a lack of public awareness for CIRP, particularly for those who are already receiving a main benefit from MSD. For those that are aware, there may also be concerns that previous delays when applying for a main benefit (at a time when MSD was under significant operational pressures during the lockdown period) means people believe it is too administratively burdensome and risky to temporarily switch onto a short-term payment.
- 38 In addition, the application process itself may be too difficult for clients to understand. The application form for CIRP aims to strike the right balance between ensuring simple language and having enough detail to test eligibility for a payment, while also gathering information to assess someone's eligibility for other MSD assistance. MSD has already made changes to the application form to ensure greater clarity, but there is still a level of subjectivity in the interpretation of eligibility questions for CIRP.
- 39 On 29 July 2020, MSD separately authored advice to the Minister for Social Development outlining what MSD is doing to make the process of transferring back onto a main benefit from CIRP as easy as possible for clients.

Some people may prefer to receive Jobseeker Support

- 40 For those that are eligible to receive both CIRP and JS, there are several factors that could determine whether someone would prefer to be on JS (and stay there) or transfer to CIRP. These could include:
- whether they are financially better off
 - the ability to work part-time. For CIRP, any paid employment will make someone ineligible while they are working, but with Jobseeker Support, someone can work some part-time hours and their Jobseeker Support will be abated accordingly
 - the effect termination payments, such as holiday pay, has on the entitlement date of support. Termination payments may delay entitlement date for main benefits but not for CIRP
 - the stability of staying on a main benefit, and not having to switch onto another payment temporarily.
- 41 Whether someone is better off on the relief payment or a main benefit will depend on individual circumstances. People qualifying for the part-time rate of CIRP are more likely to be financially better off receiving a benefit. For example, someone receiving a main benefit would also receive the Winter Energy Payment (WEP) for the winter period, while CIRP recipients are not eligible for WEP. As we approach the end of the winter period for WEP, MSD may see clients who are currently choosing to stay on a main benefit instead apply for CIRP. They can do this as long as they still meet all the qualifying criteria.
- 42 Appendix One provides a hypothetical example of why someone may choose to receive JS over CIRP.

MSD has undertaken a communications strategy to support uptake, balanced against the need to manage the unprecedented level of demand for services

Wider communications approach

- 43 The wider communications to support the Government announcement and delivery of the relief payment included:
- information on websites including Ministry of Social Development, Work and Income and StudyLink. The Work and Income website has had more than 337,000 visits to the Income Relief payment pages, which is on par with other COVID-related pages
 - media engagement which generated a high level of publicity and coverage
 - social media including students and MSD channels - social media posts performed highly compared with normal MSD activity

- information shared with key national and regional stakeholders and providers (such as the beneficiary advocates and budgeting services) to spread via their channels and networks
- new “Help if you’ve lost your job” brochure
- direct engagement with employers and their employees affected by redundancy
- Super Seniors newsletter.

A proactive campaign was also undertaken for existing JS recipients

- 44 In response to the lower than expected uptake of CIRP, in late June 2020 MSD also undertook a targeted email campaign to contact clients who may potentially be eligible for CIRP. This primarily focused on people who had reasons for benefit receipt recorded as ceased work, income reduced and/or available for work.
- 45 The two-week email campaign, which finished on 7 July 2020, involved sending 30,283 emails to people who may be eligible for the relief payment. Of these 30,283 emails, 27,085 were sent to current clients, 1,821 were sent to students and 1,377 were sent to people who were declined a benefit due to partner income.
- 46 As at 9 July 2020, 74 percent of people have opened their emails, and 15 percent have clicked onto the website link for further information. 1,617 people from the campaign have applied for CIRP, making up five percent of those who were sent the original email.
- 47 While the number of clicks onto the website link appears low, it is higher than industry standard and on par with other MSD campaigns. MSD continues to face high demand for our services, and consequently does not have the capacity to proactively call every client who was sent an email. The email campaign was intended to support uptake, while balancing against the need to manage the unprecedented level of demand for services.

Additional outbound calls have since been made to better understand people’s circumstances

- 48 From 27 July 2020, MSD called a small sample of people who had received and viewed an e-mail through the proactive campaign to better understand why there weren’t more applications made. In total, 37 phone calls were completed.
- 49 Of the 37 phone calls made:
- 15 people believed they were not eligible because they had found other employment, voluntarily resigned, were receiving the wage subsidy or lost their employment for reasons unrelated to COVID-19.
 - 10 people were unsure about the eligibility criteria for CIRP or just assumed they were not eligible. This includes a seasonal worker and someone who had their role disestablished before COVID-19.
 - 7 people were not aware of CIRP. This includes someone who signalled that they would have stuck with their current benefit even if they were aware of the payment and another who has limited internet connectivity.
 - 5 people actively choose to stay on a benefit as it was considered a more stable option. Some people expressed concerns with switching back onto a benefit when the payment ended.

There is still further work that MSD could do to improve uptake

- 50 The insights gained from these phone calls will help inform MSD’s next steps on the proactive campaign. Given operational constraints, further work is required to ensure resources are allocated effectively. Possible options for further engagement from MSD could include:
- a stronger call to action in a further social media campaign and stakeholder communications
 - a direct messaging campaign, comprising of:

- a further email with new content re-targeting clients who haven't applied and are potentially eligible for CIRP - as part of this, we will explore an opt-out option for people to let us know that they're not interested in applying
 - follow-up text messages reminders (after three days).
 - promotion on recruitment sites such as Seek and TradeMe Jobs, and targeted radio stations, to reach people who are not getting a benefit and may not be exposed to MSD services, stakeholders or channels.
 - Proactively contact employers with staff currently receiving the Wage Subsidy with further information on CIRP. This is to reach people in anticipation of further job losses occurring as the Wage Subsidy Extension ends.
- 51 MSD will continue to develop its communications strategy following the initial findings of its outbound calling and update the Minister for Social Development via the Social Development Update (SDU) in mid-August.

Next steps

- 52 MSD is currently updating the benefit number forecast for the Pre-Election Economic and Fiscal Update. This will be published on 20 August 2020.

File ref: REP/20/7/854, T2020/2636

Appendix One: Better off on Jobseeker Support example

- 53 Chris is a single person aged 24 years living in Auckland, renting a room for \$300 a week. At the beginning of April 2020, he was made redundant from his part-time hospitality job at SkyCity. He may have some temporary work coming up for a few days a week throughout August. Chris has been receiving Jobseeker Support since the end of April and in June he applies for the relief payment.
- 54 Chris chose to remain on Jobseeker Support because he is financially better off, and if he gets some temporary work, he will not lose all his Jobseeker Support (like he would with the relief payment). His two options are presented in the table below:

	Jobseeker Support	COVID-19 Income Relief payment
Jobseeker Support/CIRP	\$213.10	\$250
Accommodation Supplement	\$165.00	\$165.00
Temporary Additional Support	\$44.14	\$7.24
Winter Energy Payment	\$40.91	n/a
Total weekly payments:	\$463.15	\$422.24
Considerations/ Consequences	<ul style="list-style-type: none"> Financially beneficial when compared to the relief payment Can work part-time without losing entitlement unless income is \$395.00 a week before tax Jobseeker Support is income tested, rate is reduced by 70 cents for each dollar over \$90 before tax Must meet work test obligations Sanction regime applies if obligations are not met and there is no good and sufficient reason Temporary Additional Support may reduce or stop during periods of employment Will not be eligible for Relief payment when temporary work ends 	<ul style="list-style-type: none"> Total payments lower than Jobseeker Support Temporary work will interrupt income relief payment May need to transfer to Jobseeker Support during periods of employment if it is not full-time and less than the weekly income limit