



# Report

**Date:** 7 May 2021

**Security Level:** BUDGET SENSITIVE

**To:** Hon Carmel Sepuloni, Minister for Social Development and Employment

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## Welfare Overhaul – Work Programme Update

### Purpose of the report

- 1 This report provides you with a progress update on the welfare overhaul work programme to date, and advice on furthering the remaining initiatives. This considers trade-offs, fiscal constraints, and the Government's priorities for the 53<sup>rd</sup> Parliament.
- 2 Given the range of significant work programme items in the medium-term work programme, we seek an opportunity to discuss this report with you. This will include opportunities to reposition the medium-term work programme to ensure it accurately reflects your priorities, the priorities of the Government, and is feasible to deliver.
- 3 Following your decisions, we are seeking your agreement to provide an update to Cabinet on the welfare overhaul work programme for the purpose of signalling upcoming investment priorities to your colleagues early, to seek a continued mandate for priority work areas, and publicly communicate progress made to date and next steps.
- 4 Attached to this report is a detailed update on the welfare overhaul short, medium and long-term work programme, covering each initiative in more depth.

### Executive summary

- 5 The current Government has committed to continuing the welfare overhaul and working towards implementing the recommendations of the Welfare Expert Advisory Group (WEAG) to improve the welfare system. The previous Cabinet endorsed a phased approach to progressing the welfare overhaul work programme in November 2019 [CAB-19-MIN-0170 refers].
- 6 COVID-19 has had a significant impact on the Government's fiscal position. Moreover, there are several major Government priorities underway this term in addition to the welfare overhaul, for example reform of the health sector. While the welfare overhaul has the potential to support a wide range of Government priorities, fiscal constraints and prioritisation pressures may alter the speed at which the overhaul can be progressed.
- 7 The short-term work programme is on track and many initiatives have already been delivered through previous Budget processes and the COVID-19 response. For the  
s9(2)(f)(iv) OIA  

- 8 The medium-term work programme as agreed in November 2019 represented a significant amount of change. Ministers have since requested that several items on the medium and long-term work programme are progressed more quickly for consideration over the next year, such as the Working for Families review and the

Childcare Assistance review. Alongside the Working for Families review, Ministers have also requested advice on fundamental reform of the <sup>s9(2)(f)(iv) OIA</sup> [REDACTED]

[REDACTED] his is in the context of substantial work already underway on other priorities such as Social Unemployment Insurance, cross-agency debt and the review of hardship assistance.

- 9 The medium-term work programme includes areas of major transformational change which will take time to progress due to their complexity, scale, and cost. Officials are <sup>s9(2)(f)(iv) OIA, s9(2)(g)(i) OIA</sup> [REDACTED]

- 10 Given the range of additional pressures and shifts since the work programme was agreed in November 2019, we seek an opportunity to discuss the overall medium-term work programme with you. There is an opportunity now to explore repositioning the work programme to ensure it accurately reflects your priorities, the priorities of the Government, and is feasible to deliver.

- 11 In line with earlier signals, we are continuing to expand MSD's employment service to support a wider range of people disadvantaged in the labour market. Good progress has been made already. The impacts of COVID-19 have reaffirmed that there are several other disadvantaged groups who are not captured under the current settings. <sup>s9(2)(f)(iv) OIA</sup> [REDACTED]

- 12 <sup>s9(2)(f)(iv) OIA</sup> [REDACTED]

- 13 Finally, early work has begun on the long-term work programme. This represents the most multifaceted and intricate areas of the welfare system. You will receive advice on these initiatives in the future.

- 14 As the key delivery, administration and policy agency for the welfare system, MSD's organisational infrastructure is critical for delivering positive outcomes to New Zealanders. Hence, the overhaul of the welfare system will be supported by improvements to MSD's operating model through the Te Pae Tawhiti programme. This will also ensure MSD is well-positioned to support Māori and Pacific peoples, which is further guided by strategy and action plans Te Pae Tata and Pacific Prosperity.

- 15 Following our discussion on opportunities to reposition the work programme, we recommend that you provide an update to Cabinet on the welfare overhaul work programme. This will support you to signal upcoming investment priorities to your colleagues early, seek a continued mandate for priority areas and publicly communicate progress made to date and next steps.

## Recommended actions

It is recommended that you:

### *Short-term work programme*

- 1 **note** that there has been good progress to date on the short-term work programme
- 2 **note** that remaining areas to be addressed in the short-term work programme are largely income support settings and support for parents

### *Medium-term work programme*

- 3 s9(2)(f)(iv) OIA  
[Redacted]
- 4 **note** that we understand that the Childcare Assistance review will be brought forward from the long-term work programme to this year to be considered alongside the Working for Families review
- 5 s9(2)(f)(iv) OIA  
[Redacted]
- 6 s9(2)(f)(iv) OIA  
[Redacted]
- 7 s9(2)(g)(i) OIA  
[Redacted]
- 8 **agree** to meet with officials to discuss the content of this advice and opportunities to reposition the welfare overhaul work programme

**Agree / Disagree**

- 9 s9(2)(f)(iv) OIA  
[Redacted]

**Agree / Disagree**

- 10 s9(2)(f)(iv) OIA  
[Redacted]

### *Long-term work programme*

- 11 **note** that preparatory work is underway on the long-term work programme
- 12 **note** that decisions on initiatives in the long-term work programme are not expected within this term

*Next steps*

13 **agree** to take a paper to Cabinet to confirm the Welfare Overhaul work programme priorities for the Parliamentary term.

**Agree / Disagree**

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Leah Asmus  
Manager  
Welfare System Policy

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Date

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Hon Carmel Sepuloni  
Minister for Social Development & Employment

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Date

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

## **The previous Government agreed to overhaul the welfare system**

- 16 As part of the Confidence and Supply Agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand, the previous Coalition Government committed to “overhaul the welfare system, ensure access to entitlements, remove excessive sanctions and review Working for Families so that everyone has a standard of living and income that enables them to live in dignity and participate in their communities, and lifts children and their families out of poverty”.
- 17 The Welfare Expert Advisory Group (WEAG) was established to provide advice on how to achieve this vision and found that the welfare system currently does not always meet the needs of the people who interact with it, particularly Māori, disabled people, and people with health conditions.
- 18 Through the report Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand (Whakamana Tāngata), the WEAG provided their final advice to you. The advice outlined 42 key recommendations and over 100 detailed recommendations.
- 19 In response to Whakamana Tāngata, Cabinet agreed to a phased approach on overhauling the welfare system, including commissioning work to proceed on a long-term work programme and to undertake immediate work in three priority areas to address the report’s recommendations:
  - Addressing financial support with a focus on child wellbeing
  - Supporting people who are able to be earning, learning, caring and volunteering
  - Improving access to affordable housing [CAB-19-MIN-0170 refers].
- 20 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]. The Cabinet paper did not include detailed information on when work would be progressed, allowing you to finalise the details of the overhaul work programme with officials.

## **The work programme was adjusted to support the Government’s response to COVID-19**

- 21 COVID-19 caused major economic disruption, and the welfare overhaul work programme was adjusted to prioritise the Government’s emergency policy responses.
- 22 Several temporary changes were made to MSD services to manage demand and ensure the health and safety of staff and clients, bringing forward previously planned welfare overhaul initiatives. This included deferring annual reviews and reapplications, modifying identification and verification requirements, and temporarily removing initial income stand-downs.
- 23 The ongoing economic and social impacts of COVID-19 are expected to disproportionately impact Māori, Pacific people and disabled people who have additional barriers to accessing employment. These impacts are exacerbating existing inequities in the welfare system, and historically high housing costs have put increasing pressure on family budgets, among other negative social impacts. The number of clients receiving benefits exceeded 350,000 in 2020, and is expected to peak at 450,000 in January 2022.
- 24 The outlined impacts of the COVID-19 pandemic and the accompanying economic disruption exacerbated existing pressures in the welfare system. On 22 May 2020, you agreed to prioritise specified policy areas, which had been changed in response to COVID-19, as part of the short-term work programme [REP/20/5/562 refers].

## **The Government has committed to continuing the welfare overhaul**

- 25 The current Government, through the Labour Party 2020 General Election Manifesto (the manifesto), committed to continuing the welfare overhaul work towards implementing the recommendations of the WEAG to improve the welfare system.

- 26 The manifesto indicates that the Government intends to prioritise the following:
- continuing to remove ineffective sanctions that negatively impact individuals and families
  - increasing income support and addressing debt
  - resetting the foundations of the welfare system by exploring amendments to the purpose and principles of the Social Security Act 2018 with a focus on developing a kaupapa Māori values framework
  - improving supports and services for disabled people and people with health conditions, and their carers
  - simplifying the income support system and ensure the settings that underpin access to income support are fair and fit for purpose
  - increasing emergency dental special needs grants to \$1,000.
- 27 Additionally, there is crossover between the Government's commitments to Māori through the Labour Party 2020 General Election Māori manifesto and the welfare overhaul work programme. To support the Māori economy to respond to the impacts of COVID-19, the Government has committed to progress an enhanced Mana in Mahi programme, expanding Flexi-wage, establishing employment initiatives that partner with Māori entities, and reduce barriers to employment and training by providing free access to all apprenticeships and many trades training courses.
- 28 On 6 November 2020, we advised you on the key issues, and strategic choices and opportunities within the welfare system. We advised you that the scale and speed of people entering the welfare system is unprecedented [REP 20/11/1049 refers]. There are opportunities within the medium to long-term work programme to respond to these challenges.

### **COVID-19 has had an impact on the Government's fiscal position, and may alter the speed the Welfare Overhaul can be progressed...**

- 29 The COVID-19 pandemic placed extreme stress on the global economy. In response, the previous Government moved to cushion the blow to New Zealand's domestic economy through implementing large stimulus policies. As a result, the Government is intending to continue operating budget deficits and allowing net core Crown debt to increase in the short-term.
- 30 The Government's Fiscal Strategy indicates spending will be reprioritised to respond to COVID-19 and support the subsequent recovery. Considering the constrained fiscal and economic environment, Cabinet agreed that Budget 21 was an invitation-only process focussing on critical cost pressure and high-priority, time-sensitive manifesto commitments. This ensured spending was prioritised effectively and value for money is achieved.

31 s9(2)(f)(iv) OIA

However, several other welfare overhaul initiatives were funded, such as increasing main benefits, and we have received pre-commitment for a further increase to main benefits through Budget 22.

- 32 There are now more important trade-offs going forward in prioritising welfare overhaul initiatives, to build on the initiatives already agreed through Budget processes and given the levels of funding already received and pre-committed.

### **... and the Welfare Overhaul is one of many major Government change programmes underway**

- 33 We expect that difficulties in prioritising the welfare overhaul on the Government's policy programme for the 53<sup>rd</sup> Parliament may be exacerbated by the range of other major Government priorities and objectives falling within similar timeframes this term. These include:

- managing the public health impacts of the COVID-19 pandemic
  - supporting employees, trainees, and jobs to respond to the changing labour market (including social unemployment insurance)
  - delivering on the Government's housing plan
  - reform of the health and disability system.
- 34 We note though that investment in the welfare system has the potential to support a range of Government priorities, including:
- the Government's child poverty objectives, particularly targets as outlined in the Child Poverty Reduction Act 2018
  - the Child and Youth Wellbeing Strategy
  - employment and training
  - affordable housing
  - enhancing Crown/Māori relations and supporting ongoing engagement with the Waitangi Tribunal Kaupapa Inquiries.

**The short-term work programme is on track, and there are opportunities to progress remaining initiatives this term**

35 Good progress has been made to date in delivery of short-term initiatives through Budget 20 and 21. Additionally, COVID-19 has provided an opportunity to accelerate some changes and introduce some temporary measures, such as the temporary removal of initial income stand-downs.

36 Where initiatives have not been progressed, officials are generally well-placed to support you with further advice. s9(2)(f)(iv) OIA

37 To date, the following initiatives outlined in the short-term work programme have been addressed:

38 **Reducing barriers to employment and training:** This was a key focus area for the Government in responding to COVID-19, and there has been significant investment through both Budget 20 and the COVID-19 Relief funds. From 1 April 2021, abatement thresholds were increased further, allowing beneficiaries to keep more of the income they earn.

38.1 Prior to COVID-19, MSD had begun to expand and strengthen its employment services through initiatives such as: The Labour Market Test Project, Oranga Mahi trials and the Education to Employment Brokerage service.

38.2 New initiatives were introduced to respond to the growing demands of a more diverse group, including: the Rapid Return to Work phone-base employment service, the Click to Enrol online service, the Work and Income online recruitment tool (WIORT), and a Job Expo online video platform.

38.3 Existing services were expanded and adapted to respond to the growing demand for employment services, such as: the Flexi-wage subsidy, work incentive payment, and Mana in Mahi programme.

38.4 MSD is also leading and supporting a range of cross-agency employment services such as: the Government's Apprenticeship Boost Scheme and All of Government Connected service.

39 **Better Support for Parents:** The Government has permanently removed the hours test from the In-Work Tax Credit, and legislation is currently before Parliament to remove the subsequent child policy. Changes to Childcare Assistance introducing indexation of income thresholds to average wage growth, and changing the definition of income for assessing eligibility for Childcare Assistance have progressed through

the Budget 21 process. s9(2)(f)(iv) OIA

- 40 **Ensuring Income Support is accessible:** The Government increased main benefits by \$25 per week through Budget 20, with further increases expected through Budget 21 and 22. 52-week re-applications and initial income stand-downs were temporarily removed throughout parts of 2020 and 2021<sup>1</sup>. s9(2)(f)(iv) OIA

- 41 **Better support for disabled people and people with health conditions:** Work has begun to support this priority area. Improvements to the medical certificate process have been funded through the Budget 21 process. Advice on the health and disability workstream will be provided to you later in 2021, including advice on prioritisation and phasing. The Government has also committed to major reform of the Disability Sector, through the Ministry of Health. These reforms seek to target similar issues and desired outcomes outlined in the welfare overhaul work programme, hence there is strong overlap.

**The medium-term work programme represents areas of major transformational change which will take time to progress due to their complexity...**

- 42 The Minister for Social Development noted to Cabinet that given the scale of the welfare overhaul work programme, it will be necessary to consider how to phase the reforms [SWC-19-MIN-0168]. The short, medium and long-term work programmes were set out to achieve this.
- 43 The medium-term work programme is intended to be achieved over two to four years (i.e. 2021 – 2023). The work programme focuses on:
- resetting the foundations of the welfare system
  - increasing income support and addressing debt
  - strengthening and expanding employment services
  - improving supports and services for disabled people, people with health conditions and disabilities and their carers
  - enhancing the community sector.
- 44 The medium-term work programme includes areas of major transformational change for the welfare system. These are complex policy and operational issues that take time to progress and, in many cases, require significant new funding.
- 45 Officials expect that advice on all key areas of the medium-term work programme will be delivered within the work programme period. Appendix Two provides detailed information on all workstreams underway as part of the medium-term work programme, including next steps for decisions and an indication of investment-readiness. s9(2)(f)(iv) OIA
- 46 We note that the Cabinet-agreed work programme signalled that engagement, particularly on the foundations of the welfare system, would occur throughout 2020.

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<sup>1</sup> As another temporary removal or permanent removal was not funded through Budget 21 initial income stand-downs will return on 25 July 2021. s9(2)(f)(iv) OIA

This was delayed because of COVID-19. Early targeted engagement is underway now and we will be seeking your agreement to begin wider stakeholder engagement on the welfare system foundations throughout 2021, with potential public engagement in 2022.

### **... and Ministers will need to consider trade-offs in prioritising initiatives**

- 47 Considering this, Ministers will likely need to consider trade-offs when considering implementation timeframes across the work programme, particularly on initiatives that are dependent on new funding. There will be large fiscal implications overall for the Government and potential significant impacts on departmental resources to be considered.
- 48 Ministers have requested that officials progress several major projects this year, that will require significant new investment and departmental resourcing for both completion of policy work and implementation. These projects include:

#### **Social Unemployment Insurance**

49 s9(2)(f)(iv) OIA

Amongst other working parameters, Ministers have elected to explore the delivery of a social unemployment insurance scheme through the Accident Compensation Corporation (ACC). You have noted that you do not expect resourcing trade-offs under the new compressed timeline for progressing the social unemployment insurance work programme to impact the progression of the welfare overhaul.

- 50 Social unemployment insurance is a large public policy project. MSD will have a role in supporting this work programme by providing advice, expertise, and staff resource where necessary. Officials will review and monitor the extent that this work impacts the progression of the welfare overhaul on an ongoing basis and continue to advise you as required.
- 51 While a social unemployment insurance scheme was not envisioned at the time the previous Cabinet endorsed the welfare overhaul work programme in 2019, there is a connection between this work and welfare overhaul objectives. For example, enabling the workforce to be better prepared for the future labour market.

#### **Working for Families Review**

- 52 The Government has agreed to review Working for Families tax credits and have received advice from officials on the scope, scale and timing of the review. The previous Cabinet endorsed the review as part of the medium-term welfare overhaul work programme in November 2019. In light of the changing context that Working For Families tax credits operate in and ongoing issues with the current scheme, Ministers agreed to bring the review forward.
- 53 Following recent direction from Ministers, alongside the review officials will provide advice on options relating to fundamental reform of the Accommodation Supplement, s9(2)(f)(iv) OIA

54 s9(2)(f)(iv) OIA

#### **Childcare Assistance**

- 55 In the context of the Government's Child and Youth Wellbeing strategy, Ministers have requested earlier advice on improving childcare support settings. This work was originally included in the long-term work programme.
- 56 We are in the process of developing advice on the possible scope, timing and milestones for a review of Childcare Assistance. There is a broad range of issues and

problems to be addressed, ranging from individual policy settings to cross-cutting and systemic issues. s9(2)(f)(iv) OIA

### **Cross-Agency Debt to Government**

- 57 Recently, work on cross-agency debt to government has arisen as a high priority work area through the Child and Youth Wellbeing Strategy. The Minister for Child Poverty Reduction recently volunteered herself as the lead Minister for the cross-agency work on debt to government and has asked that the Social Wellbeing Board oversee this work as a Ministerial priority. This is a cross-government work programme to reduce the impact of debt on families in hardship, and better understand governments' role in exacerbating hardship.
- 58 The three key principles guiding this work are cohesion, consistency and fairness across the system. The work has been slow to progress mainly due to COVID-19 workload, and other priorities. The cross-agency debt to government working group is due to report back to Joint Ministers on the progress of the work programme later in 2021, taking a paper to Cabinet in August.

### **Review of Hardship Assistance**

- 59 There is increased Ministerial attention on hardship assistance settings as a result of changes to first-tier financial assistance. On 26 March, we provided you with advice on how MSD can better support high users of hardship assistance alongside the Budget 2021 proposal to increase main benefits. This advice provided an update on work already underway in this space, including intensive case management to support clients with high and complex needs who access 30 or more hardship assistance grants within a 12-month period, and improvements to financial mentoring services provided through Building Financial Capability (BFC).
- 60 We concluded that the significant and complex interactions throughout the policy and delivery settings of hardship assistance are best analysed through the review of hardship assistance. On 12 April, we provided you with an Aide-memoire to facilitate discussions with your Ministerial colleagues at the Income Support Minister's meeting on 13 April about food grants in particular. Several action points for MSD came out of this meeting and MSD are working to implement these. We will provide you with an update on the review of hardship assistance in July 2021.

### **You may wish to consider repositioning the medium-term work programme, to reflect shifts in context and priority work items**

- 61 Collectively, the impact of these projects being brought forward creates a risk that the medium-term work programme, as agreed in November 2019, could become unachievable within the timeframe set out by Cabinet. Reforms will require prioritisation or phasing over several years to help manage fiscal costs and to manage implementation constraints.
- 62 To illustrate these tensions, we note that:

62.1 Many initiatives in the medium-term work programme have significant implementation implications. s9(2)(f)(iv) OIA

62.2 s9(2)(f)(iv) OIA

most initiatives in the medium-term work programme will have significant fiscal implications. s9(2)(f)(iv) OIA

We note also that Cabinet has agreed to pre-

commit \$2.1 billion against Budget 22 for further increases to main benefit payments.

62.3 Bringing forward and expanding projects that had been planned for future years creates pressure on departmental resources to deliver policy advice on/and implement change.

63 There have been major shifts in context since the work programme was agreed by Cabinet in November 2019, and recent decisions by Ministers have reprioritised major projects for earlier implementation. There is an opportunity now to explore repositioning the work programme to ensure it accurately reflects your priorities, the priorities of the Government, and is feasible to deliver.

64 s9(2)(f)(iv) OIA

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### **Initial engagement with Māori experts on kaupapa Māori values for the welfare system is almost complete, with their final advice due soon**

68 A central focus of the medium-term work programme is resetting the foundations of the welfare system. This includes the development of a kaupapa Māori values framework to underpin the welfare system.

69 As part of our initial engagement with selected stakeholders to support the development of a kaupapa Māori values framework for the welfare system, MSD established Ngā Mātanga Māori. This group comprises of members from across iwi, academic and Māori communities who collectively have expert knowledge of Te Ao Māori concepts and kaupapa Māori values, lived experience of the welfare system,

and knowledge and experience of whānau dynamics and needs, social services and machinery of government. The inaugural hui was held in November 2020 and the group met most recently in March 2021. A final hui is planned for May 2021.

70 Good progress has been made already and while the group have indicated they are in the final stages of their input, initial indications are that their intention is to provide advice on transformational change to the foundations of the welfare system. It is possible they may want to connect with other significant government reviews and work programmes that are underway, for example work underway in Oranga Tamariki, and support next phases of engagement.

71 You will receive separate advice from officials on the work of Ngā Mātanga Māori, including next steps. The group may request an opportunity to discuss their work with you in person. Subject to your agreement and Cabinet endorsement, we expect that ongoing Māori and stakeholder engagement is likely to be a key feature of this year's work on the welfare overhaul. We will provide you with further advice on next steps for engagement in due course.

**We are continuing to expand MSD's employment service to support a wider range of people disadvantaged in the labour market**

72 MSD is continuing its work to deliver an expanded employment service and the Government's Manifesto Commitments throughout 2021. This means building on our employment strategy to ensure that we can help more New Zealanders as and when they need it.

73 s9(2)(f)(iv) OIA

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## **Early work has begun on the long-term work programme, and you will receive advice on these initiatives in the future**

- 78 The long-term work programme represents some of the most complex, multifaceted areas of the welfare system. Interventions will need to be carefully considered and planned, as appropriate. Cabinet agreed that this would include:
- Simplifying the income support system – progressing the strategic direction of income support, informed by medium-term work on the foundations of the welfare system
  - aligning the welfare system with other support systems – considering opportunities for greater alignment between the welfare and health systems
  - reviewing housing and childcare supports – reviewing the current suite of supports in both areas, including interface with other agencies as required.
- 79 As noted earlier, the review of Childcare Assistance is now proposed for earlier completion, as mentioned as part of the medium-term work programme.
- 80 Other long-term initiatives remain on track to be addressed within four to five years from November 2019 (i.e. by 2023 – 2024). Initial work is underway on these items, with decisions on direction of travel to come in the future.

## **The overhaul of the welfare system will be supported by improvements to MSD’s operating model**

- 81 MSD is a key delivery agency within the welfare system, as the administrator of most welfare payments and a lead policy agency. MSD’s readiness to deliver effective, responsive welfare services in a challenging landscape is critical for delivering positive outcomes to New Zealanders. This includes ensuring we are well-positioned to support Māori and Pacific communities.

s9(2)(f)(iv) OIA

82 s9(2)(f)(iv) OIA

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- 85 We will continue to ensure the work on the Te Pae Tawhiti business case is aligned with your welfare overhaul priorities and objectives.

### **A key focus for MSD continues to be delivering for Māori communities**

- 86 The purpose of the Māori strategy and action plan, Te Pae Tata, is to embed a Māori world view into MSD that will honour commitments as Treaty of Waitangi / Te Tiriti o Waitangi partners and prioritise the needs of whānau.
- 87 In the strategy and action plan's first year, progress towards achieving this purpose has been made. For example, Te Reo Māori and tikanga Māori are being integrated into daily operations, opportunities for staff to raise their awareness of key events in the history of New Zealand's bicultural relations have increased, and wananga to improve the quality of Te Ao Māori advice and thinking that is used to inform organisational policies and processes have been established. A Te Ao Māori capability framework and a Māori language plan have also been developed.
- 88 Throughout 2021, the intention is to build on the gains already made by implementing more Māori language learning pathways, continuing to partner with iwi, coordinating the response to kaupapa inquiries initiated by the Waitangi Tribunal and developing measures for the achievement of Te Pae Tata.

### **We are committed to improving outcomes for Pacific communities**

- 89 MSD has also developed a Pacific Strategy and Action Plan – Pacific Prosperity. This work will assist in improving outcomes for Pacific people by guiding future policy development and delivering better coordinated action together with Pacific peoples and other non-government stakeholders. Pacific Prosperity aims for the system to be fair, fit for purpose and improve access, whereby services and entitlements are more accessible, available, culturally appropriate and that cost is not a barrier.
- 90 MSD has undertaken extensive engagement with Pacific individuals, families, communities, providers, employers and staff. Feedback reflected the need for MSD to listen to Pacific people and involve them in decisions being made about them, understand Pacific values and develop and implement culturally responsive policies, plans and approaches that empower Pacific people by providing them with tools to confidently navigate the welfare system (for example, by greater use of Pacific languages).
- 91 Achievements through the strategy have focused on improving overall social and wellbeing outcomes and include: the establishment of two Pacific advisory groups, the Pacific Reference Group (external) and Pacific Leaders Forum (internal) to strengthen the voice of Pacific peoples, delivery of eight Pacific Family Violence Prevention programmes (under Pasefika Proud Pathways for Change), and the launch of Koko Talanoa - a Pacific staff mentoring and leadership initiative to support Pacific workforce career development and training.

## Next steps

- 92 Since this work programme was agreed in November 2019, there have been major shifts in the context we are working in and Ministerial priorities. There is an opportunity now to explore repositioning the work programme to ensure it accurately reflects your priorities, the priorities of the Government, and is feasible to deliver. We are seeking an opportunity to discuss this report with you.
- 93 We recommend that you provide an update to Cabinet on the welfare overhaul work programme. This will support you to:
- signal upcoming investment priorities to your colleagues early, particularly given the range of fiscal pressures
  - seek a continued mandate for priority work areas
  - publicly communicate progress made to date and next steps.
- 94 If you agree, we will work with your office to determine an appropriate timeframe for Cabinet consideration and provide a draft paper for your consideration.
- 95 The Welfare Overhaul Senior Officials Group (SOG) will continue to provide oversight as the key cross-agency reference group for the welfare overhaul work programme.

File ref: REP/21/1/003

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# Appendix One: Welfare Overhaul Work Programme Overview

The following appendix reflects the outline of the work programme as agreed by Cabinet in November 2019, and provides updates on progress to date.

Short-term work programme	Medium-term work programme	Long-term work programme
<p><b>Reducing barriers to employment and training</b></p> <ul style="list-style-type: none"> <li>Funding for MSD frontline staff to support employment outcomes (\$250m/4 years)</li> <li>Mana in Mahi expanded</li> <li>Apprenticeship Boost Scheme</li> <li>Operational improvements to support returns to work, post-COVID (phone-based Rapid Return to Work service, Work and Income Online Recruitment Tool)</li> <li>Cross-Government Connected service – employment, education and training initiatives</li> <li>Supporting the Future of Work Tripartite Forum – including review of Active Labour Market Policies</li> </ul> <p><b>Better support for parents</b></p> <ul style="list-style-type: none"> <li>Hours test removed from In-Work Tax Credit</li> <li>Subsequent Child Policy to be removed in November 2021</li> <li>Expected changes to childcare assistance through the Budget 21 process by introducing indexation of income thresholds to average wage growth s9(2)(f)(iv) OIA</li> <li>s9(2)(f)(iv) OIA</li> <li>s9(2)(f)(iv) OIA</li> </ul> <p><b>Ensuring income support is accessible</b></p> <ul style="list-style-type: none"> <li>Main benefits increased \$25 per week on 1 April 2020</li> <li>Additional main benefit increases of \$20 per week expected on 1 July 2021 and further increases on 1 April 2022 to levels recommended by the WEAG in 2019, and additional increases for families with children.</li> <li>Initial income stand-downs and 52-week re-applications temporarily removed.</li> <li>s9(2)(f)(iv) OIA</li> <li>Further increase to abatement thresholds from 1 April 2021</li> </ul> <p><b>Better support for disabled people and people with health conditions</b></p> <ul style="list-style-type: none"> <li>Supporting the Disability Employment Action Plan</li> <li>Improvements to the medical certificate process funded through the Budget 21 process.</li> </ul>	<p><b>Building the foundations of a different approach to welfare</b></p> <ul style="list-style-type: none"> <li>Reviewing the purposes and principles of the Social Security Act 2018 – policy work underway, engagement throughout 2021.</li> <li>Welfare system underpinned by kaupapa Māori values – policy work and early engagement underway, further engagement to come in 2021 (subject to Cabinet approval).</li> <li>Advice on governance and accountability arrangements, to support shifts in the foundations, underway alongside those workstreams.</li> <li>MSD is building capability to measure and report on a range of data, as outlined in the work programme. Recently shifting to weekly and monthly reporting of key income support data to better inform services and policy advice.</li> </ul> <p><b>Income support levels and addressing debt</b></p> <ul style="list-style-type: none"> <li>Fundamental review of Working for Families</li> <li>Advice on s9(2)(f)(iv) OIA Accommodation Supplement</li> <li>s9(2)(f)(iv) OIA</li> <li>Advice continues on options for increasing financial assistance.</li> <li>Advice due July 2021 on the review of Hardship Assistance, s9(2)(f)(iv) OIA</li> <li>s9(2)(f)(iv) OIA</li> <li>A draft Cabinet paper relating to cross-agency work on debt, led by the Child Poverty Unit, will be provided to joint Ministers in July 2021, and is due for consideration at SWC in August 2021.</li> <li>s9(2)(f)(iv) OIA</li> <li>Advice on the Review of Childcare Assistance in May 2021</li> </ul> <p><b>Review of obligations and sanctions</b></p> <ul style="list-style-type: none"> <li>Advice on phase one (warrants to arrest, pre-employment drug testing, social obligations) due May 2021, s9(2)(f)(iv) OIA</li> <li>Scoping advice on review of work obligations and sanctions due May 2021, s9(2)(f)(iv) OIA</li> <li>s9(2)(f)(iv) OIA</li> </ul> <p><b>Improving and expanding employment supports</b></p> <ul style="list-style-type: none"> <li>s9(2)(f)(iv) OIA</li> <li>s9(2)(f)(iv) OIA</li> <li>Expansion of Training Incentive Allowance planned for July 2021, subject to Budget 21 decisions.</li> </ul> <p><b>Improving supports and services for people with health conditions and disabilities and their carers</b></p> <ul style="list-style-type: none"> <li>Reviewing financial support and eligibility settings for current benefit payments for disabled people, people with health conditions and their carers. This work includes considering eligibility and settings for the Supported Living Payment, a review of Disability Allowance and expanded financial support for carers. Advice later in 2021 will also seek your direction around further work on the Child Disability Allowance.</li> <li>Advice on this workstream to come later in 2021. s9(2)(f)(iv) OIA</li> <li>Commissioning of research to support the review of Disability Allowance will occur in 2021.</li> </ul> <p><b>Building partnerships and enhancing the community sector</b></p> <ul style="list-style-type: none"> <li>10 key actions agreed to in social sector commissioning. Engagement underway now on cross-agency priorities, update to Cabinet due in late-June 2021. s9(2)(f)(iv) OIA</li> </ul> <p><b>Reviewing money management in the youth service</b></p> <ul style="list-style-type: none"> <li>Advice due on options to improve the flexibility of money management in the Youth Service, with immediate focus on the management of payments, s9(2)(f)(iv) OIA</li> <li>Further work is planned on investigating improvements to budgeting and parenting programmes.</li> </ul>	<p><b>A fundamental review of housing subsidies</b></p> <ul style="list-style-type: none"> <li>Initial advice is being prepared on a s9(2)(f)(iv) OIA Accommodation Supplement (alongside the review of Working for Families). A review of Accommodation Supplement will likely have flow-on impacts on wider housing subsidies.</li> </ul> <p><b>Simplifying income support settings</b></p> <ul style="list-style-type: none"> <li>Balancing the income support system focussing on overly administrative/difficult system characteristics</li> <li>Review of purpose/level/eligibility of second-tier and third-tier assistance</li> <li>Strategic direction for income support system</li> </ul> <p><b>Health and Wealth interface</b></p> <ul style="list-style-type: none"> <li>s9(2)(f)(iv) OIA</li> <li>Consideration of the impacts of social unemployment insurance proposals</li> </ul>