



24 February 2025

Tēnā koe

### **Official Information Act Request**

Thank you for your email of 24 January 2025, requesting a copy of a report regarding payment card sanctions.

I have considered your request under the Official Information Act 1982 (the Act). Please find my decision on your request set out below.

Please find attached the following report which is quoted in the linked article in your request:

- REP/24/5/412 – Policy decisions and options to progress the Traffic Light System.

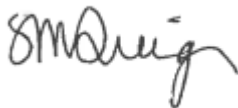
Some information is withheld under section 9(2)(h) of the Act to maintain professional legal privilege. The greater public interest is in ensuring that government agencies can continue to obtain confidential legal advice.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course.

If you wish to discuss this response with us, please feel free to contact [OIA\\_Requests@msd.govt.nz](mailto:OIA_Requests@msd.govt.nz).

If you are not satisfied with my decision on your request, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or 0800 802 602.

Ngā mihi nui

pp. 

Anna Graham  
**General Manager**  
**Ministerial and Executive Services**

# Report



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

**Date:** 9 May 2024 **Security Level:** In confidence  
**To:** Hon Louise Upston, Minister for Social Development and  
Employment  
**File Reference:** REP/24/5/412

## Policy decisions and options to progress the Traffic Light System

### Purpose of the report

- 1 This report seeks confirmation of the policy intent of the Traffic Light System (TLS) and initial policy decisions to inform detailed design. It also outlines early thinking on how expanding the toolkit available to staff will help the Ministry of Social Development (MSD) optimise interactions with clients to support employment outcomes.

### Executive summary

- 2 You have asked MSD to deliver the TLS by 1 July 2025, with a Bill introduced to the House in November 2024. Our plan allows for all enabling legislation for TLS components to be in place with core components ready to go-live on 1 July 2025. There will be work beyond this date to continue to build our capacity to deliver further elements of the TLS, for example exploring opportunities to deliver Money Management more efficiently. We will provide you with further detail on timeframes as design progresses.
- 3 We seek your confirmation that the TLS is intended to communicate to clients they must comply with their obligations or risk being sanctioned, and to expand the toolkit MSD staff have to respond to clients who are not meeting their obligations.

- 4 We recommend the TLS applies to work-related obligations, including full-time and part-time work obligations and work preparation obligations<sup>1</sup>, as well as social obligations<sup>2</sup>, to ensure consistency within the welfare system. For the avoidance of doubt the TLS will apply to young jobseekers (18-24 year olds). We will provide you with further advice on how youth activity obligations<sup>3</sup> may be integrated with broader changes to obligations, obligation failures and sanctions introduced by the TLS.
- 5 We seek your confirmation of the proposed key message for each setting:
  - Green – a client is complying with their obligations. No intervention required.
  - Orange – a client has failed to meet an obligation, is issued a warning and must re-comply with their obligations<sup>4</sup>. To encourage compliance, they may be subject to additional activities and receive targeted support.
  - Red – a client continues to fail to meet their obligations and receives a financial sanction if they do not re-comply within the required notice period before a sanction can be applied.
- 6 MSD has existing powers it can leverage to stand up components of Green, Orange and Red settings including checking clients' progress in meeting their obligations, directing them to undertake employment-related training where appropriate and applying financial sanctions.
- 7 Legislative change is required to deliver the TLS. We are exploring what is required to enable an Orange setting that provides opportunities for clients to re-comply while avoiding financial sanctions, MSD to issue a 'warning' for failing an obligation and MSD to apply a non-financial sanction for failing an obligation.

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<sup>1</sup> This includes those receiving Jobseeker Support (JS), Sole Parent Support (SPS) and Supported Living Payment (SLP) (including partners of JS and SLP), and partners of clients getting Emergency Benefit. It will also apply to clients getting Emergency Benefit if work obligations or work preparation obligations were set as a condition of grant (s.121 and 140, SSA).

<sup>2</sup> Clients and partners with dependent children can be sanctioned if they don't take reasonable steps to do four things related to social outcomes: Enrolling their child with a primary healthcare provider, staying up to date with WellChild/Tamariki Ora checks, enrolling their child at an Early Childhood Education provider and ensuring the child attends (if age-appropriate), enrolling their child at school and ensuring the child attends (if age-appropriate). Note, if there is an indication that a parent or caregiver may not be meeting this obligation, a regular engagement and support process is initiated to attempt to assist them to meet their obligation, and if all else fails and there is no good and sufficient reason, a financial sanction will be imposed. In practice, a client has never received an Obligation Failure for a social obligation.

<sup>3</sup> Clients receiving Youth Payment and Young Parent Payment, as well as young partners of main beneficiaries (16-19 year olds), are subject to youth activity obligations (s.166-167, SSA).

<sup>4</sup> Note, If a client has a good and sufficient reason for failing to meet an obligation, an obligation failure will not be applied. Clients also have the opportunity to dispute an obligation failure decision within the required notice period (currently five working days).



- 8 We understand the purpose of non-financial sanctions is to provide an alternative tool for staff to use in place of a financial sanction. We will provide you with further advice on the application of non-financial sanctions, including the best place to utilise them in the system and whether and how they work with financial sanctions.
- 9 There are two options (see Figures 2 and 3) to determine how clients move between settings in the TLS:
  - Option 1 – Rules-based. Clients progress through settings in a linear way (Green to Orange to Red).
  - Option 2 – Full discretion. Staff decide on a client's setting based on their individual circumstances in every instance of an obligation failure.
- 10 On balance, we recommend Option 1 – rules-based. This option best delivers on the intent of the TLS to provide clear and easy to understand communications to clients about what is expected of them. It is also closest to our current settings, reducing the amount of change required for our staff and is easier for clients to understand. It leverages powers already in place and the additional tools proposed, while ensuring clients have clear expectations for what they are required to do. We do not recommend Option 2 – full discretion, as it would be administratively burdensome, complicated to communicate to clients and staff and likely result in the TLS being inconsistently applied. It is also likely to be perceived as unfair when people with similar circumstances are treated differently which may lead to increased complaints, reviews of decisions and s9(2)(h) [REDACTED]
- 11 Policy and design decisions are needed for each of Money Management, Community Work Experience and monitoring a client's job searching activity so that enabling provisions can be included in the Bill. We have provided some initial advice on each component below.
- 12 To ensure the TLS is efficiently delivered, we seek your confirmation to consider using automated decision-making and one-to-many approaches where appropriate.
- 13 We will provide you with further advice in May 2024 covering:
  - further advice on how youth activity obligations may be integrated with broader changes to obligations, obligation failures and sanctions introduced by the TLS
  - detailed design decisions for core components of the TLS, including consequences for non-compliance and de-escalation pathways, i.e. moving from Red to Orange to Green.
  - high-level policy advice and decisions for non-financial sanctions
  - further advice on checking clients' progress in searching for jobs.

## Recommended actions

It is recommended that you:

- 1 **note** enabling legislation for Traffic Light System components will be in place, with core components ready to go-live, on 1 July 2025
- 2 **agree** to work beyond this date building our capacity to deliver further elements of the Traffic Light System

AGREE / DISAGREE

### Scope and policy intent

- 3 **confirm** the intent of the Traffic Light System is to:

3.1 communicate to clients they must comply with their obligations or risk being sanctioned

YES / NO

3.2 expand the toolkit for Ministry of Social Development (MSD) staff to assist clients to understand and meet their obligations, and respond to those who are not meeting them

YES / NO

- 4 **agree** the following clients will be subject to the Traffic Light System:

4.1 clients and partners with work obligations (full-time and part-time) and work-preparation obligations

AGREE / DISAGREE

**AND**

4.2 clients with social obligations in respect of their dependent children

AGREE / DISAGREE

- 5 **note** the Traffic Light System will apply to young jobseekers (18-24 year olds)

- 6 **confirm** the key message of each setting:

6.1 Green – a client is complying with their obligations. No intervention required.

YES / NO

6.2 Orange – a client has failed to meet an obligation, is issued a warning and must re-comply with their obligations. To encourage compliance, they may be subject to additional activities and receive targeted support.

YES / NO



6.3 Red – a client continues to fail to meet their obligations and receives a financial sanction if they do not re-comply within the required notice period before a sanction can be applied.

YES / NO

*Design of core components*

7 **note** MSD has existing powers it can leverage to stand up components of Green, Orange and Red settings including requiring clients to provide evidence of their compliance with obligations, directing them to undertake employment-related training where appropriate and applying financial sanctions

8 **confirm** the following existing requirements will be retained:

8.1 MSD must always check if a client has a good and sufficient reason for not meeting an obligation

YES / NO

8.2 there will be a reasonable period of time allowing clients to dispute an obligation failure decision or re-comply with the failed obligation

YES / NO

8.3 a client must always complete a re-compliance activity to re-comply with an obligation failure

YES / NO

8.4 the existing graduated regime for financial sanctions will be retained

YES / NO

8.5 that MSD should retain some ability to suspend or cancel a client's benefit more quickly in some circumstances, for example a refusal to take a suitable job offer

YES / NO

8.6 clients with dependent children can only receive a 50 percent reduction in benefit

YES / NO

9 **note** we will provide you with further advice on the application of non-financial sanctions, including whether and how they work with financial sanctions

10 **note** we will provide you with further advice on the use of non-financial sanctions

11 **agree** to one of the following options to implement the Traffic Light System:

11.1 Option 1 – Rules-based. Clients progress through settings in a linear way (Green to Orange to Red) [*recommended*]

**OR**

AGREE / DISAGREE

11.2 Option 2 – Full discretion. Staff decide on a client's setting based on their individual circumstances in every instance of an obligation failure [*not recommended*]

AGREE / DISAGREE

*Efficient delivery of welfare system changes*

12 **note** we will explore opportunities to design Reducing Benefit Dependency initiatives using automated decision-making to increase efficiencies and one-to-many approaches where appropriate

*Further advice*

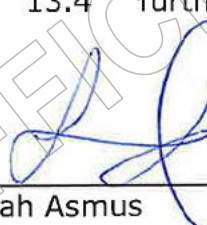
13 **note** we will provide you with further advice in May 2024 covering:

13.1 further advice on how youth activity obligations may be integrated with broader changes to obligations, obligation failures and sanctions introduced by the Traffic Light System

13.2 detailed design decisions for core components of the Traffic Light System, including consequences for non-compliance and de-escalation pathways

13.3 high-level policy advice and decisions for non-financial sanctions

13.4 further advice on checking clients' progress in searching for jobs.

  
Leah Asmus  
Policy Manager  
Welfare System Policy

9 / 5 / 2024

Date

  
Hon Louise Upston  
Minister for Social Development and  
Employment

20240513  
Date

## Background

- 14 You have asked the Ministry of Social Development (MSD) to deliver a subset of your Reducing Benefit Dependency Priorities, including the Traffic Light System (TLS), by 1 July 2025. To meet this timeframe, you will need to seek policy decisions from Cabinet in July 2024, and introduce a Bill to the House in November 2024.
- 15 You recently received advice on your proposal to introduce a 26-week mandatory reapplication for Jobseekers [REP 24/5/387 refers]. This report provides you with further advice on how expanding the toolkit available to staff will help MSD optimise interactions with clients. In this paper, we are seeking confirmation of the policy intent of the TLS and initial policy decisions to inform detailed design work.
- 16 In November 2023, we provided you with some initial information about implementing this policy [REP 23/11/893 refers]. MSD already has a range of powers and policy settings that will enable us to stand up some components of the TLS.
- 17 Our plan allows for all enabling legislation for TLS components to be in place, with core components ready to go-live, on 1 July 2025. There would be work beyond this date to continue to build our capacity to deliver further elements of the TLS. We will provide you with further detail on timeframes as design progresses.
- 18 We are now focusing on building the core components which are integral to the implementation of the TLS: warnings for failing obligations and the ability to impose non-financial sanctions. This approach builds the parts of the system we need off the back of existing rules and processes. This includes enacting all required legislative change.
- 19 We will then focus on building and delivering further elements of the TLS. This is discussed in paragraphs 41-55 and includes delivery of non-financial sanctions.

## Confirming Traffic Light System scope

**We seek your confirmation that the intent of the TLS is to ensure clients are aware of their obligations**

- 20 The 'Reducing Benefit Dependency' document states the purpose of the TLS is to clearly communicate to clients that they must comply with their obligations or risk being sanctioned. We understand that TLS is intended to provide MSD with more tools to respond to clients who are not meeting their obligations (without a good and sufficient reason), that it should allow clients who fail an obligation to re-comply while avoiding a financial sanction and that the system should work alongside other supports MSD already offers to clients.



- 21 We seek your confirmation the intent of the TLS is to communicate to clients that they must comply with their obligations or risk being sanctioned, and to expand the toolkit MSD staff have to respond to clients who are not meeting their obligations (without good and sufficient reason).

**We recommend TLS applies to work *and* social obligations**

- 22 We recommend that TLS applies to work-related obligations, including full-time and part-time work obligations and work preparation obligations<sup>5</sup>. These obligations are subject to the current graduated sanctions regime under the Social Security Act 2018 (SSA) and align with the intent of the TLS to encourage clients to move into employment.
- 23 We also recommend the TLS applies to social obligations<sup>6</sup>. Like work obligations, social obligations are subject to the graduated sanctions regime. If the TLS were to only apply to work-related obligations, those clients with dependent children who failed work-related obligations would have different rules applied for failing to meet a work-related obligation than for failing to meet a social obligation. This risks creating an unfair system with confusing expectations for clients. To mitigate this, we recommend that the TLS apply to both work and social obligations.
- 24 For the avoidance of doubt, the TLS will apply to young jobseekers (18-24 year olds) not in the Youth Service or subject to youth activity obligations, including those supported by a community provider under Welfare that Works. We will provide you with further advice in May 2024 on how youth activity obligations<sup>7</sup> may be integrated with these broader changes to obligations, obligation failures and sanctions introduced by the TLS.

**We seek confirmation of the intent for each setting within TLS**

- 25 The 'Reducing Benefit Dependency' manifesto document describes a client's status and the consequences for not meeting their obligations for each setting (Figure 1).

<sup>5</sup> This includes those receiving Jobseeker Support (JS), Sole Parent Support (SPS) and Supported Living Payment (SLP) (including partners of JS and SLP), and partners of clients getting Emergency Benefit. It will also apply to clients getting Emergency Benefit if work obligations or work preparation obligations were set as a condition of grant (s.121 and 140, SSA).

<sup>6</sup> Clients and partners with dependent children can be sanctioned if they don't take reasonable steps to do four things related to social outcomes: Enrolling their child with a primary healthcare provider, staying up to date with WellChild/Tamariki Ora checks, enrolling their child at an Early Childhood Education provider and ensuring the child attends (if age-appropriate), enrolling their child at school and ensuring the child attends (if age-appropriate). Note, if there is an indication that a parent or caregiver may not be meeting this obligation, a regular engagement and support process is initiated to attempt to assist them to meet their obligation, and if all else fails and there is no good and sufficient reason, a financial sanction will be imposed. In practice, a client has never received an Obligation Failure for a social obligation.

<sup>7</sup> Clients receiving Youth Payment and Young Parent Payment, as well as young partners of main beneficiaries (16-19 year olds), are subject to youth activity obligations (s.166-167, SSA).

Figure 1 – excerpt from 'Reducing Benefit Dependency' manifesto

Status	Consequences
<b>Green (compliant)</b> Jobseeker fulfilling all obligations to prepare for or find work.	<b>No change to obligations and no sanctions applied.</b>
<b>Orange (some risk)</b> Jobseeker has received one or two warnings for breaching their obligations to prepare for or find work.	<b>No sanctions applied – targeted support and additional obligations applied:</b> <ul style="list-style-type: none"> <li>• Mandatory training</li> <li>• More frequent check-ins with WINZ</li> <li>• More intensive case management</li> </ul>
<b>Red (high risk)</b> Jobseeker has received three or more warnings for breaching their obligations to prepare for or find work.	<b>Sanctions applied:</b> <ul style="list-style-type: none"> <li>• Financial sanctions (benefit reduction)</li> <li>• Benefit suspension</li> <li>• Money management</li> <li>• Community work experience</li> </ul>

26 The 'Reducing Benefit Dependency' manifesto document states a level of risk of benefit dependency in association with a colour setting. We do not recommend including an assessment of the client's risk of benefit dependency in the operationalisation of the TLS. A range of factors (both within and outside of the control of a client and/or MSD) affect a client's probability of remaining on benefit for an extended period of time. Developing an effective assessment of a client's risk would be time consuming and difficult to achieve, and would be unlikely to contribute to improved employment outcomes.

27 To assist us in delivering a fit-for-purpose TLS, we seek your confirmation of the proposed key message for each setting:

- Green – a client is complying with their obligations. No intervention required.
- Orange – a client has failed to meet an obligation, is issued a warning and must re-comply with their obligations. They may be subject to additional activities and receive targeted support.
- Red – a client continues to fail to meet their obligations and receives a financial sanction if they do not re-comply within the required notice period before a sanction can be applied.

28 Pathways through and back from these steps needs to be worked through, along with how we support clients to understand and meet their obligations as they enter benefit and as they move settings. The decisions you make

about the detailed design of the system will affect how a client's setting is communicated to them.

## **Design and delivery of core components**

### **Adding to our toolkit to build core components**

- 29 We need to build core components of the TLS, which in addition to our current settings, will enable the TLS to go live on 1 July 2025. MSD has settings it can leverage to stand up components of the TLS including checking clients' progress in meeting their obligations, directing them to undertake employment-related training where appropriate and applying financial sanctions. The TLS will be further supported by the national roll-out of 'Kōrero Mahi – Let's Talk Work', 26-week job check-ins starting in June 2024, 'Getting prepared for work' seminars in late 2024 and the roll out of other elements of the Reducing Benefit Dependency policy, to be implemented alongside the TLS [REP 24/2/223 refers].
- 30 Under current settings, an obligation failure results in a sanction if there is no good and sufficient reason for not meeting an obligation or a good and sufficient reason for the failure cannot be determined by MSD. Sanctions are graduated, with the level of sanction generally determined by how many previous failures a client has had<sup>8</sup>.
- 31 To enable an Orange setting that provides opportunities for clients to be reminded of their obligations and be encouraged to re-comply while avoiding financial sanctions, we are exploring how MSD may issue a 'warning' for failing an obligation so that we may communicate to clients their proximity to being financially sanctioned.
- 32 More broadly, we are also exploring amending the SSA to enable MSD to respond to an obligation failure with one of a set number of responses (depending on the client's status in the TLS), which could include:
  - setting a specific obligation activity, for example training
  - applying a non-financial sanction
  - applying a financial sanction.
- 33 Note, a client needs to complete a re-compliance activity to re-comply with an obligation failure. We also note you intend to retain the 50% protection setting where clients with dependent children can only receive a 50% reduction in benefit.

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<sup>8</sup> In specific circumstances, such as the refusal of suitable employment, an obligation failure results in a Grade 3 failure (cancellation of benefit), bypassing Grades 1 (reduction of benefit by 50 percent) and 2 (suspension of benefit).



## **Designing new non-financial sanctions**

- 34 We understand the purpose of non-financial sanctions is to provide an alternative tool for staff to use in place of a financial sanction. Our early view is that the proposed non-financial sanctions (Money Management and Community Work Experience) would not be appropriate for all clients and would depend on service availability. For example, a client may be unable to complete community work without incurring additional financial cost to themselves (e.g. travel to and from the placement).
- 35 To mitigate this, we propose to explore options to design and deliver non-financial sanctions in a discretionary, targeted way. A one-size-fits-all approach to applying non-financial sanctions risks incentivising clients spending a longer time on benefit than they would have otherwise. As discussed below (paragraphs 42-52), we recommend that non-financial sanctions are used this way to balance immediate priorities to impose a consequence for failing an obligation with longer-term priorities for clients to gain sustainable employment. Further work is required on the application of non-financial sanctions, including the best place to utilise them in the system and whether and how they work with financial sanctions.

## **You have options about how clients move through the Traffic Light System**

- 36 There are two options (Figures 2 and 3) to determine how clients move between settings in the TLS, and officials recommend choosing one. The options balance the benefits and trade-offs between having a rules-based, one-size-fits-all system against a fully discretionary, individualised system. Your choice will determine how we develop the detailed design for our next advice in May 2024, which will include decisions on what triggers a client to move setting and when, how long they spend at each setting and in which circumstances non-financial sanctions may be applied.

37 In developing these options, we have assumed:

- there are five steps for a client who fails obligations to pass through, two warnings and three graded sanctions (retaining the current graduated sanctions regime)
- there is a mandatory consequence for each step with a range of potential additional responses
- the existing requirement to determine if a client has a good and sufficient reason for not meeting their obligations remains unchanged<sup>9</sup>
- there is a reasonable period of time allowing clients to dispute an obligation failure or re-comply with the failed obligation
- a client must always complete a re-compliance activity to re-comply with an obligation failure
- that MSD should retain some ability to suspend or cancel a client's benefit more quickly in some circumstances, for example a refusal to take a suitable job offer
- the existing 50 percent protection setting where clients with dependent children can only receive a 50 percent reduction in benefit is retained.

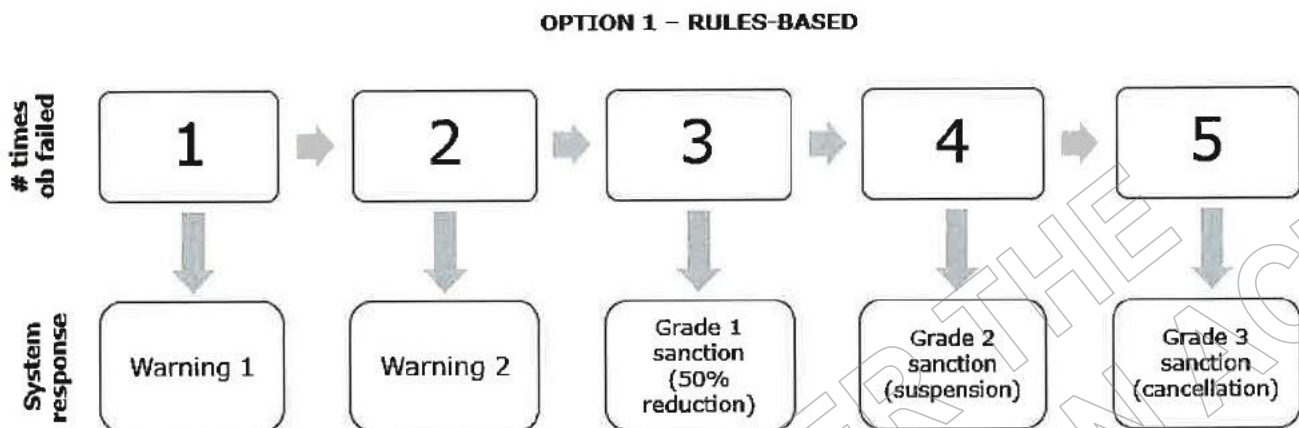
38 Note, we are undertaking further work on:

- pathways through the system, including if a client does not re-comply with an obligation
- additional responses to failing an obligation, including for example referrals to mandatory training or application of non-financial sanctions
- the application of non-financial sanctions, including whether and how they work with financial sanctions
- appropriate timeframes for how long a client remains on a step and the period over which an obligation failure is counted
- circumstances in which discretion may be appropriately used to override a system response
- how this is communicated to clients through a Traffic Light colour.

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<sup>9</sup> If a client has a good and sufficient reason for failing an obligation, an obligation failure will not be applied.

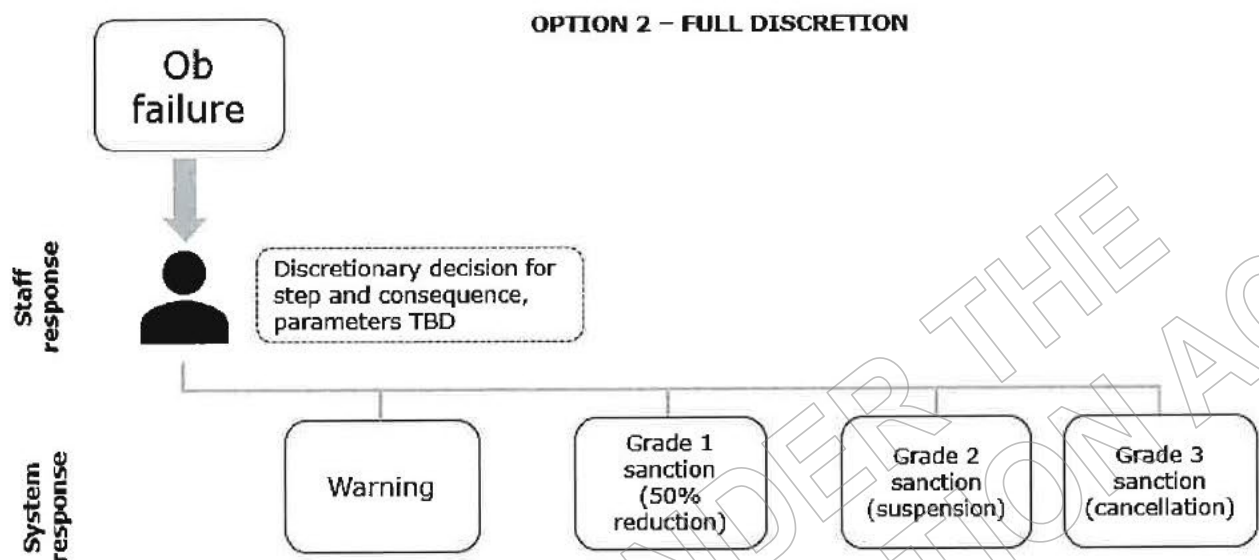
Figure 2 – Overview of Option 1



Description	Benefits / Trade-offs of proposed design
<p>Base assumption that all clients, in all instances of an obligations failure, progress through settings in a linear way (Green to Orange to Red). Triggers for clients to move setting would be pre-set and inflexible.</p> <p>Further advice to come on the role of staff discretion in overriding the base assumption of linear movement.</p>	<p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• Closest option to current settings</li> <li>• Most suited for clearly communicating what happens when and why to clients and staff</li> <li>• One-size-fits-all results in consistent application of the system</li> <li>• Staff do not need to spend time deciding a client's setting</li> </ul> <p><i>Trade-offs</i></p> <ul style="list-style-type: none"> <li>• Minimal discretion for staff to decide a client's setting based on individual circumstances</li> </ul>



Figure 3 – Overview of Option 2



Description	Benefits / Trade-offs
Staff decide on a client's setting based on their individual circumstances in every instance of an obligation failure. Triggers would be set out in guidance for staff, who would decide to move a client (or not) based on the client's specific circumstances.	<p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• Responsive to individual client circumstances.</li> </ul> <p><i>Trade-offs</i></p> <ul style="list-style-type: none"> <li>• Complicated to communicate to clients and staff</li> <li>• Decision making is more subjective and is likely to lead to operational inconsistencies or inequitable treatment, s9(2)(h)</li> <li>• Significant staff time diverted to considering and manually processing decisions</li> <li>• Increased likelihood of initiated obligations failures being overturned (Review of Decision)</li> </ul>

- 39 On balance, we recommend Option 1 – rules-based. This option is closest to our current settings, reducing the amount of change required for our staff and is easier for clients to understand. It supports the policy intent of the TLS well. It leverages powers already in place and the additional tools proposed, while ensuring clients have clear expectations for what they are required to do.
- 40 We do not recommend Option 2 – full discretion. While it could be responsive to clients' individual needs, the risk of creating a confusing and seemingly arbitrary system is too great to mitigate. This option is also administratively

burdensome and conflicts with the intent of the TLS and each setting proposed in paragraphs 21 and 27. It is also likely to be perceived as unfair when people with similar circumstances are treated differently which may lead to increased complaints, reviews of decision and s9(2)(h)

## Design and delivery of further components

- 41 Some policy and design decisions will be needed for the enabling provisions ahead of detailed design work, such as non-financial sanctions and checking clients' progress in searching for jobs. We will provide you with further advice on each of these components, along with detailed design decisions for core components of the TLS in May 2024. This section outlines some initial considerations.

## Money Management

- 42 Money Management involves directly paying a client's regular expenses such as rent and utilities. The remainder of their financial support from MSD is then split between a payment card (which can only be used in certain locations) and their bank account (up to \$50). Currently, this is only used for young people getting Youth Payment or Young Parent Payment or are aged 16-19 and are included in their partner's main benefit within New Zealand (as distinct from the redirection of a benefit with a client's agreement).
- 43 Evidence from both New Zealand and Australia (the only other jurisdiction with Money Management) suggests that imposing Money Management on a person may lead to a higher risk of negative consequences, particularly if that person is already financially literate. These could include negative impacts on a person's mental health and wellbeing, lower school attendance for children of affected parents, a reduction in financial literacy or development of a dependency on Money Management. Studies also noted that payment cards can prevent people from shopping at lower-cost alternatives, such as greengrocers or markets, and highlighted the relative ease and frequency of people circumventing payment cards or exchanging them for cash. The same evidence suggests that some of these negative impacts may be mitigated when Money Management is instead operated as a voluntary programme which clients opt into.
- 44 We are exploring options for approaches to implement Money Management and subsequent advice will provide more detail and seek your policy decisions. Delivery of money management to a wider group of clients is likely to be administratively burdensome for MSD and will require careful design to work effectively. We are exploring options for the role of staff discretion in imposing money management as a non-financial sanction, and opportunities to provide for an opt-in approach. We expect that legislative change, both primary and secondary, would be required to enable its use in the TLS.

## Community Work Experience

- 45 MSD currently offers a range of community work experience (CWE) employment supports, including Activity in the Community<sup>10</sup>, Flexi-Wage Project in the Community<sup>11</sup> and Enhanced Taskforce Green (ETFG)<sup>12</sup>. These programmes support both employment outcomes and community benefits. They are opt-in for clients, who must meet eligibility criteria. Staff also exercise discretion as to which clients they recommend to these supports, especially in cases where there is capped funding. Some programmes also have low uptake and/or limited funding, with some regions choosing not to offer these programmes and low awareness among frontline staff.
- 46 Officials have some concerns about these programmes, including their effectiveness to deliver employment outcomes<sup>13</sup>. Initial work to support an ETFG review has been progressed, and a review of Activity in the Community has been considered.
- 47 The 'Reducing Benefit Dependency' document outlines the proposal for MSD to require clients who fail an obligation to complete CWE. As described, CWE is essentially a work-for-the-dole programme if it was to be made mandatory<sup>14</sup>. Most evidence shows that work-for-the-dole programmes do not increase the probability of participants moving off benefit and into employment. Instead, participants remain on benefit longer than would otherwise be the case (known as the lock-in effect<sup>15</sup>). Investment into other employment supports may be more cost effective.
- 48 We can take steps to increase the likelihood of effectiveness including by using discretion and eligibility criteria for clients, restricting placement duration, the number of hours each week, requiring evidence of job searching while participating, ensuring activities support the development of job-readiness and combining CWE with other supports. Evidence shows that CWE works best for people with limited experience/work readiness.

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<sup>10</sup> Activity in the Community projects aim to support social development outcomes for clients through participation in community-based projects. Projects offer opportunities to clients to gain voluntary unpaid experience in a community or voluntary organisation.

<sup>11</sup> Flexi-Wage Project in the Community is a wage subsidy that allows clients who are both disadvantaged in the labour market and at risk of long-term benefit receipt, and have specific employment needs, the opportunity to participate in community and environmental-based project work where they can develop work habits and general on-the-job skills. It is intended to support people towards getting into and staying in unsubsidised employment.

<sup>12</sup> ETFG is an MSD-administered disaster recovery employment support. It can be stood up after disasters to assist communities with clean-up activities.

<sup>13</sup> Activity in the Community is rated as no difference, meaning the intervention makes no statistically significant difference for any of the primary outcomes and ETFG is currently being reviewed to better understand its effectiveness.

<sup>14</sup> Work-for-the-dole programmes are compulsory programmes where participants work on community or environment projects run by not-for-profit or government organisations.

<sup>15</sup> Can work for the dole programmes increase employment outcomes? MSD, 2010



- 49 To enable CWE as a non-financial sanction in the TLS, enabling provisions would likely need to be included in the Bill. We are exploring options for the role of staff discretion in imposing CWE as a non-financial sanction.
- 50 As evidence indicates, the success of CWE relies on discretionary application to those who would benefit from it most. Enabling the use of CWE as a non-financial sanction, on a case-by-case basis, would need to be based on eligibility criteria and supported by operational guidance.
- 51 We would also need to create a new programme or make significant changes to an existing programme(s). This would take time and resource to work through operationalisation considerations and risks, potentially taking focus away from other aspects of the TLS. As a result, you may wish to prioritise other deliverables over CWE.
- 52 We will provide you with further advice in May 2024 to seek direction on high-level options. Decisions around the design and application of CWE will also need to be made in context of the wider TLS detailed design decisions.

### **Checking progress of client job searching**

- 53 Job search requirements apply to clients and partners with work obligations who must be available for, and taking reasonable steps to obtain, suitable employment. In determining whether a client is meeting their requirements, MSD can consider if the client (or partner) is available for work, would accept any suitable job offers, and not unreasonably restricting their job search. In order to monitor client progress, MSD has the ability to ask what steps clients have taken to find work, e.g. searching for vacancies, applying for jobs, contacting employers.
- 54 We have the ability to operationally increase the frequency in which we currently check clients' progress on their job search. Checking physical proof is more complicated, as it requires MSD staff to manually validate evidence. This would prove difficult to operationalise as there are many ways a person could be looking for work, such as reaching out to local businesses within their community, applying to jobs online or being referred by a friend. Requiring proof from all clients and undertaking a manual review would use a significant amount of staff resources and would take time away from staff having other more meaningful interactions with clients.
- 55 We are currently investigating ways we may be able to integrate checking a client's job search activity into the Individual Employment Plans as part of 'Welfare that Works'. As with other areas of the TLS, there may be opportunities to explore the use of automated decision-making to increase efficiencies.

## Delivering welfare system changes efficiently

- 56 To ensure the TLS is efficiently delivered, we seek your confirmation to consider using automated decision-making and one-to-many approaches where appropriate. We will advise you during detailed design decisions on the specific circumstances in which we recommend using each tool, noting consequential amendments to legislation will be required.

## Next steps

- 57 We will provide you with further advice in May 2024 covering:
- further advice on how youth activity obligations may be integrated with broader changes to obligations, obligation failures and sanctions introduced by the TLS
  - detailed design decisions for core components of the TLS, including consequences for non-compliance and de-escalation pathways
  - high-level policy advice and decisions for non-financial sanctions
  - further advice on checking clients' progress in searching for jobs.
- 58 Given the tight timeframes, we are also beginning to prepare for Cabinet decisions including a Regulatory Impact Statement and te Tiriti o Waitangi analysis.

Author: Rachel Kenealy, Senior Policy Analyst, Welfare System Policy

Responsible manager: Leah Asmus, Policy Manager, Welfare System Policy