FEBRUARY 2019

Kia Piki Ake
Welfare
Expert Advisory Group

Whakamana Tāngata

RESTORING DIGNITY TO SOCIAL SECURITY IN NEW ZEALAND

EMBARGOED
until 3 May 2019, 2pm

Welfare Expert Advisory Group

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E kore e taea e te whenu kotahi
ki te raranga i te whāriki
kia mōhio tātou ki ā tātou.
Mā te mahi tahi o ngā whenu,
mā te mahi tahi o ngā kairaranga,
ka oti tēnei whāriki.
I te otinga
me titiro tātou ki ngā mea pai ka puta mai.
Ā tōna wā,
me titiro hoki
ki ngā raranga i makere
nā te mea, he kōrero anō kei reira.

The tapestry of understanding
cannot be woven by one strand alone.
Only by the working together of strands
and the working together of weavers
will such a tapestry be completed.
With its completion
let us look at the good that comes from it
and, in time
we should also look
at those stitches which have been dropped,
because they also have a message.

Nā – Kūkupa Tirikatene
1934–2018

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He mihi

E ngā mana puipuiaki, e ngā reo tongarerewa e ikapahi nei,
tēnā koutou katoa

Tukuna kia rere ngā mihi ki te Atua,
ko ia te tīmatanga me te whakamutunga o ngā mea katoa

Te hunga kua poto ki te pō, haere koutou

Tātou e mau tonu nei i te hā o te ora,

Tēnā koutou, tēnā koutou, tēnā tātou katoa

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Foreword from the Chair

The Government convened the Welfare Expert Advisory Group to review the New Zealand welfare system, excluding New Zealand Superannuation, the Veteran's Pension and War Pensions, and the Student Support System. The terms of reference and independence granted to the Welfare Expert Advisory Group have enabled the most wide-ranging review of the system in a generation.

In this report, we consider the interface between welfare and the active labour market and employment, mental health, child wellbeing and child poverty, housing and justice strategies. Our recommendations are reasonable and based on evidence, and they require significant investment if the desired outcomes are to be achieved. We recommend enabling the welfare system to serve its most basic functions and to move beyond being a 'safety net' to enabling 'whakamana tāngata' – restoring dignity to people so they can participate meaningfully with their families and communities.

The essential principles of whakamana tāngata are to provide income support sufficient for an adequate standard of living, to provide employment support to help people find and retain good and appropriate work, and to treat people receiving this support with dignity and respect. In return, people receiving this support are expected to take up the opportunities to participate. We hope that agreement to these principles can be the basis for a lasting parliamentary commitment on social security that will take New Zealand into the future with pride.

This report has been informed by national consultation, commissioned reports, a review of the literature and data relating to welfare use, other reports including previous welfare reviews, and meetings with stakeholders.

We are grateful to all the people who contributed to our report, especially the many people who shared their personal experiences of the welfare system.

Kia piki ake te mana tangata!

Professor Cindy Kiro
Chair
Welfare Expert Advisory Group
February 2019

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Back row (left to right): Dr Michael Fletcher (special advisor), Phil O'Reilly, Trevor McGlinchey, Charles Waldegrave, Kay Brereton, Professor Innes Asher, Robert Reid

Front row (left to right): Professor Tracey McIntosh, Dr Ganesh Nana, Dr Huhana Hickey, Professor Cindy Kiro (Chair), Latayvia Tualasea Tautai

Acknowledgements

Many people informed and supported the work of the 11 members of the Welfare Expert Advisory Group.

We would like to thank all those people who made the effort to meet with us in person during consultation and hui – we know how difficult this was for many of you, and we are very grateful. We also appreciate the people who completed our survey and made submissions. The contributions were insightful, wide ranging and of significant value to our work.

We are appreciative of the input of the attendees at our roundtable sessions in Wellington and Auckland and are grateful to Judge Andrew Becroft and Professor Jonathan Boston for hosting the Wellington session.

We would like to make a special note of thanks to our two facilitators, Cissy Rock and Tim Howard, who ensured that our consultation sessions were inclusive and engaging.

We thank all those agencies, organisations and individuals who provided us with information, advice or opinions. Special thanks also go to Neavin Broughton, Dr Sacha McMeeking, Associate Professor Damon Salesa, Rachel Noble, Dr Rosemary Marks and Professor Richie Poulton.

Many people helped us engage with local communities during consultation and hui, without whom we could not have reached as many people as we did, and to whom we owe a large debt of gratitude. We thank local iwi, marae, advocacy and community groups, community liaison advisors, regional commissioners, schools, polytechnics, primary health organisations, New Zealand Sign Language interpreters, Naenae Old Boys Cricket Club and the local churches and communities that gave us use of their premises. We also thank Wellington City Mission, Kapiti Youth Service, Lifewise, Wesley Community Action and People's Project.

Finally, we would like to thank our Special Advisor Dr Michael Fletcher, whose extensive knowledge of the welfare system was essential, and our Secretariat members for their advice and hard work.

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Executive summary

In May 2018, the Minister for Social Development announced the establishment of the Welfare Expert Advisory Group to undertake a broad-ranging review of the welfare system and advise the Government on the future of New Zealand's welfare system. We have now considered how the welfare system could be changed to better meet the needs of New Zealanders now and in the future.

We took a participatory and independent approach and prioritised the experience of people who interact with the welfare system. Our advice takes the form of 42 key recommendations that enable the social security system to serve its most fundamental functions but to move beyond a 'safety net' to 'whakamana tāngata' – restoring dignity to people so they can participate meaningfully with their families and communities.

Current welfare system is no longer fit for purpose and needs fundamental change

The New Zealand Social Security Act is meant to provide a government guarantee of financial and social support to ensure people have an adequate income and standard of living when needed. The lives of New Zealanders are varied, so any social security system needs to be able to respond to this. A wide cross section of New Zealanders face life shocks, such as job loss, illness, disability or relationship breakdown, which mean they need to receive government assistance to support themselves and their family. Other New Zealanders need support because their low wages mean they are unable to meet basic costs such as for housing, food, school and work.

Each year over **630,000** people receive payments from the welfare system.

This excludes superannuitants and those in receipt of student loans and allowances.

345,900 families receive a Working for Families tax credit.

Some of those in receipt of the tax credits will also be receiving a payment from the welfare system.

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Social security is more than just benefit payments to people not in paid work or who are unable to work. It includes welfare payments to families, students, seniors and others through tax credits, allowances and superannuation[1] and includes help to find work. Funded by taxes and supported by community, this system reinforces our social cohesion and increases the ability of those in receipt of financial assistance to participate in employment, learning, caring or volunteering.

The current social security system was set up in a different time and no longer meets the needs of those it was designed to support. Successive governments have implemented changes to the system with intended and unintended consequences.

Agreement is near universal that the benefit and tax credit systems are unmanageably complex. The level of financial support is now so low that too many New Zealanders are living in desperate situations. Urgent and fundamental change is needed. This change will be challenging because the problems are large and the system complex.

Our recommendations seek to embed a new basis for social security, restoring trust in the system and enabling whakamana tāngata, to ensure people can live in dignity. Adopting this approach will lift outcomes for Māori and others who are particularly adversely affected under the current system.

The Ministry of Social Development (MSD) needs to accelerate its commitment to cultural responsiveness to Pacific People, to take account of the diverse Pacific communities within New Zealand.

The social security system needs to recognise that most New Zealanders are willing to engage, participate, contribute and do their fair share for their communities. Our proposed purpose, principles and values for the system reflect this reality.

At its heart, our approach is about treating people with dignity.

Rebalancing the social contract

A social contract between the Government and its citizens was established in New Zealand legislation with the Social Security Act 1938. Government would provide financial assistance for New Zealanders unable to achieve an adequate standard of living (which remains central to the social security system), alongside other critical support such as access to health care, education, housing and adequate employment. In return, people receiving financial support would participate in training or other activities and seek employment when appropriate. This social contract is now out of balance.

At its heart, our approach is about treating people with dignity.

1 New Zealand Superannuation, Veteran's Pension and War Pensions, and the Student Support System are outside the scope of the Welfare Expert Advisory Group. See the Terms of Reference in Appendix B.

The current system is based on conditionality including sanctions and is tightly targeted, with inadequate support to meet even basic needs. The experience of using the system is unsatisfactory and damaging for too many of the highest need and poorest people. We heard overwhelmingly during our consultation that the system diminishes trust, causes anger and resentment, and contributes to toxic levels of stress. There is little evidence in support of using obligations and sanctions (as in the current system) to change behaviour; rather, there is research indicating that they compound social harm and disconnectedness. Recent studies recommend moving away from such an approach towards more personalised services. For the welfare system to work effectively to deliver the new purpose, principles and values we conclude that mutual trust between parties is essential.

Given this, we propose a system based on whakamana tāngata – an approach based on mutual expectations and responsibilities governing interactions between the state and welfare recipients. It is a commitment to improving wellbeing by supporting positive long-term outcomes for the individual, including increased skills and labour market capability. This approach must immediately reform the current obligations and sanctions regime.

The proposed mutual expectations and responsibilities need to be responsive to the circumstances of the individual in a way that will meet the proposed values of the system, with robust checks and balances to mitigate potential negative impacts on individuals and their families. The overarching expectation of both recipients and the Government is to act with respect and integrity in their mutual interaction.

Many New Zealanders lead desperate lives with seriously inadequate incomes – this must change

Evidence is overwhelming that incomes are inadequate for many people, both those receiving a benefit and those in low-paid work. Current levels of support fail to cover even basic costs for many people, let alone allowing them to meaningfully participate in their communities. In New Zealand, poverty and benefit receipt are strongly associated. Māori, Pacific People, people with health conditions and disabilities, and young people are especially adversely affected.

Many sources of information inform this report, including our consultation and hui with communities, our research using example families, and analysis about the current rates of poverty and hardship in New Zealand (particularly for families with children and people receiving benefits).

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Living in poverty often results in long-lasting, poor outcomes for benefit recipients, their children, families and whānau, and society. Evidence is strong of the negative effects that poverty has on a wide range of children's outcomes, including cognitive development, school attainment, health and social, emotional and behavioural development. Evidence is also emerging of poverty's negative impacts on the mental health of people of all ages.

The Government must urgently increase the incomes of people in receipt of a benefit and in low-wage work and maintain these increases over time so that they keep pace with the incomes of the rest of the community. It must also reduce the barriers to people accessing this support and commit to a social security system where people are treated with dignity.

Eligibility rules don't reflect today's families and need updating

Existing eligibility rules for welfare support reflect an outdated view of New Zealand families. Families, and arrangements for the care of children, are more diverse and fluid than in the past. Most children live in two-parent households, but it is now common for children to spend some part of their childhood in a sole parent family.

In many cases, sole parenthood means reliance on a benefit and is associated with a high risk of poverty. For many families, two (or sometimes three or more) jobs are need to provide an adequate income. However, income support is still based on a one-earner model where one income was enough for a family. This means when partnered people are affected by job loss, they will often not qualify for any income support from main benefits if their partner is in paid work (even on the minimum wage) because of the joint income test and the tight targeting of payments. Hence, the low number of couples on main benefits and the growing number of working poor.

The Government must modernise the eligibility rules to reflect this changing nature of families and society. Many other rules warrant further consideration that we could not give in the time available.

The Government must modernise the eligibility rules to reflect this changing nature of families and society.

Income support system needs substantial reform to significantly improve its adequacy and design

The income support part of the welfare system has fallen behind the real growth in New Zealand incomes. The fiscal cost of improving the adequacy and design of income support is estimated to be around $5.2 billion a year. There are a number of other options that Government can also consider, each with various trade-offs and at differing costs. However, this package was considered by the Welfare Expert Advisory Group to be the best fit for policy and fiscal purposes. It is important to recognise that the current system has costs of its own – those associated with the broader negative effects of poverty including lower educational attainment, imprisonment and poorer health.

We expect significant gains in wellbeing from our recommended package of changes, including fiscal savings from lower health and justice costs in the longer term and productivity gains from a more skilled workforce. Significant gains beyond the financial are also to be expected – gains in self-esteem and the quality of relationships. Quantifying these gains is beyond the scope of this work.

The Welfare Expert Advisory Group recommends the adoption of 10 principles to guide the redesign of the income support system. These principles focus on ensuring the adequacy of the system for meaningful participation in communities, that people are financially better off in paid work (where work is an option), that support is easy to access, simpler to understand, and timely, and that people are treated with dignity and respect when accessing this support.

The Welfare Expert Advisory Group also recommends a comprehensive package of changes to significantly improve the adequacy of income support and to maintain this support over time in line with wages. These changes are broadly based on the consideration of adequate incomes levels found in the example families research we conducted and presented within this report. Changes include increases to main benefit rates, family tax credits and changes to housing support. This package of changes should reduce the need for additional financial support through hardship assistance.

Implementing these changes will substantially reduce the number of adults and children living in poverty.

Implementing these changes will substantially reduce the number of adults and children living in poverty. While estimates of poverty impacts are limited by current models, we expect these changes to reduce the number of children in households with incomes below 50% of the median income (after adjusting for household size and before deducting housing costs) by around 40%, and to reduce the number of working-age adults below the same income threshold (50% of the median income) by around 30%.

The Welfare Expert Advisory Group also recommends further work exploring the adequacy of incomes. The example families research was necessarily limited by the time constraints of this review, and further work to cover additional scenarios and circumstances is needed, particularly around the costs associated with health conditions and disabilities. This research also needs to be underpinned by consultation and focus groups with a wide variety of New Zealanders and should be commissioned from an agency independent of government.

In the best interests of the child, child support needs improvement

To improve adequacy of incomes and ensure the system considers the best interests of the child, the Welfare Expert Advisory Group recommends that all child support is passed on to the carers of children. The compulsory application and penalties associated with a parent failing to apply for child support should be removed, with parents deciding whether child support or a voluntary agreement for support is in the child's best interest.

The Welfare Expert Advisory Group recommends further work to ensure shared and split care of children is reflected fairly in income support payments, and that agencies (that is, Inland Revenue and MSD) are aligned in their approach.

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'Relationship' needs to be redefined

One of the strongest findings from the consultation was that the rules for determining whether a 'relationship' exists (that is, whether a relationship is 'in the nature of marriage') are not working and are causing considerable harm. The definition of a relationship is unfair and does not reflect how relationships actually form, and the financial penalty for partnering is significant and may be unduly influencing partnering decisions.

The welfare system should not unduly influence the decisions people make about their relationships. We recognise that achieving this is difficult in a system built around different family types.

The Welfare Expert Advisory Group recommends that the welfare system allows more time before deeming a relationship to have formed, so people have a longer period in which to determine whether a relationship is likely to work before their level of support is potentially reduced.

The Welfare Expert Advisory Group recommends moving income support settings over time to become more neutral in their impact on people making relationship decisions. Options to be considered include bringing the couple rate of benefit closer to double the single rate, and introducing a short-term entitlement to a main benefit for partnered people who lose their jobs or become unwell or disabled (such a benefit would disregard the other partner's income).

High housing costs exacerbate problems for people on low incomes – housing supply needs urgent attention

Housing is a major cost for families, and the shortage of affordable housing is a major contributor to the current cost of welfare. The cost on society of inadequate and unaffordable housing is too high. Financial support for housing is provided through a large number of different, complicated payments. The combined welfare payments for housing make up the second-largest cost after the New Zealand Superannuation Scheme – and more than the spending on any one of the main benefits combined. Housing payments are forecast to be 3.1% of total Crown baseline expenditure in 2018/19. Despite this, we learned that not everyone is receiving their full entitlement, especially once they move off a main benefit.

The inaccessibility of home ownership for low and low–middle income households is a major contributor to the growth of wealth inequality in New Zealand, denying them their only chance of acquiring an asset base. Home ownership rates have fallen to their lowest rate since 1953, and Māori and Pacific families are disproportionately affected.

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There are just not enough houses to meet demand. Of the current housing stock, too many are unaffordable for low-income families, and what is available to them is often substandard, poorly insulated, damp and unhealthy. The Government must urgently provide affordable housing options for low-income people. A key part of the solution is for the state to expand and accelerate the building of public housing to an industrial scale, to achieve an adequate number of houses for low-income New Zealanders. Urgent efforts to end homelessness need to continue.

Government needs to increase the variety of home-ownership options, including equity sharing, rent-to-buy state houses, papakāinga housing and other affordable home-ownership products for people on low and low–middle incomes. In addition, government needs to work with third-sector community-based housing providers to create a broader range of ownership and renting options.

In addition to raising main benefit rates to provide an adequate income, ensuring changes are made to abatement rates and subsidised housing costs for people on low incomes will, in combination, make households better off.

The Welfare Expert Advisory Group recommends a new payment for people facing housing costs alone (that is, not sharing accommodation with another adult). Indexing for payments should be maintained, in line with housing costs. Furthermore, legislation should be developed to ensure healthy homes and housing security, decent standards of housing quality, universal design and accessibility.

Welfare system fails to deliver for Māori – higher quality learning and employment opportunities are needed

While many Māori are doing well in education and the labour market, a disparity in unemployment rates and benefit receipt persists. Māori make up 36% of all working-age people receiving a benefit as the primary recipient. While other social and economic factors play a role, the failures of the welfare system disproportionately affect Māori.

Achieving a benefit system that better promotes wellbeing will make a greater difference to Māori, and reducing the inadequacies of the current system will also address child and family poverty among Māori.

The Welfare Expert Advisory Group recommends an approach that provides a more realistic liveable income so individuals and whānau can live a more dignified life and participate more fully in their school, community and cultural lives. Given the youthfulness of the Māori population and the higher proportion of Māori in receipt of a main benefit, a dedicated case manager service would better help young people and those receiving a main benefit into part-time or full-time work by providing higher quality learning and employment opportunities that are more responsive for Māori during these transitions.

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Opportunity exists to do things differently and increase people's employability

The inadequacy of incomes is measured against the cost of meeting the most basic needs and being able to participate meaningfully in society. Having sustainable paid work is a route out of poverty. Moving to an economy that generates sufficient good and appropriate jobs that people are able to take up requires a system that is visionary and agile, and inclusive of those presently receiving income support.

A social security system can provide an opportunity to upskill people to participate more meaningfully in the economy, in their communities and with their families. It also provides an opportunity for people to contribute in other ways valued by communities when they are unable to be in paid work because of parenting or care-giving roles. More personalised employment services, along with adaptable education and workplaces, are required.

Our employment support system is not yet well placed to help people into work now or in the future, particularly when people will likely transition more frequently between jobs and need more help to shift to new occupations. The welfare system also provides support for people to get back into paid employment, yet spending on active labour market programmes is low compared with spending in other OECD countries.

Expectations to take up paid work have increased, but support to enter and remain in work has steadily declined over many years. This is reflected in a long trend of falling resources, lack of specialist and expert employment case management, limited access to case managers, and limited support for people entering work, or at risk of entering the benefit system. Large numbers of people receive very limited employment support despite facing explicit work expectations. These systemic weaknesses contribute to high rates of 'churn' where people enter work (or education) for brief periods before returning to the benefit system. This is especially true for young people, Māori, Pacific People and people with health conditions and disabilities. It is also particularly marked for those churning through the criminal justice system.

Expectations to take up paid work have increased, but support to enter and remain in work has steadily declined over many years.

While we agree that people should undertake paid work where their circumstances allow, the evidence is mixed about how best to do this. Growing the skills of New Zealanders would contribute more to the New Zealand economy. No one action will lead to this improvement, but packages of changes can. Our whakamana tāngata approach assumes a whole-of-government, iwi, employer, union and community partnership that views people receiving a benefit as capable of contributing to society and the economy. This contribution may be as second-chance learners who upskill and retrain (especially on the job).

Functional illiteracy remains a major challenge for some people receiving a benefit. Increasing functional literacy (including digital and technological literacy) would create many advantages not just for the individual and their family and whānau, but also for employers and the economy.

Employment services need to intervene early and effectively. The Welfare Expert Advisory Group recommends rebuilding a core employment service that is embedded in a wider active labour market system, that emphasises early interventions (with key partners) and provides specialist employment support and ongoing pastoral support where needed.

The Welfare Expert Advisory Group also recommends revamping active labour market policies and other labour market, employment and training policies across government to make them coherent and effective. The Welfare Expert Advisory Group further recommends strengthening MSD redundancy support policies to better help those who lose their jobs.

We want to see better opportunities for young people to participate in healthy relationships with peers and in whānau life and to engage in education, training or work. Given the relatively young age structure of the Māori and Pacific populations, significant demographic dividends will be gained for the nation as well as individuals by improving outcomes for young Māori and Pacific People.

The income support system needs to support the outcomes of good and appropriate work by ensuring people are financially better off in paid work. This requires abatement rates (and effective marginal tax rates) to be reasonable, especially at the point when people are entering work.

The Welfare Expert Advisory Group recommends replacing the current work incentive tax credits with a new tax credit targeted at those on a benefit entering into paid work, including part-time work. Alongside an increase in various abatement thresholds, this will maintain the incentive to work that might otherwise be affected by increases in main benefit rates.

We want to see better opportunities for young people to participate in healthy relationships with peers and in whānau life and to engage in education, training or work.

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More can be done to improve outcomes for people with health conditions or disabilities and carers

People receiving a benefit because they have a health condition or disability, or care for a person with a health condition or a disability, make up 53% of all working-age benefit recipients. Many have poor outcomes. Many receiving a health and disability benefit have mental health conditions that are not well supported. Ill-health and disability caused by a variety of social, economic, psychological and biomedical factors may make it more difficult to access the welfare system. Unemployment has a detrimental impact on the health and wellbeing of benefit recipients. However, policy responses have had a limited impact on improving outcomes for recipients of health and disability benefits, and long-term receipt of such benefits is common.

People with health conditions or disabilities in the welfare system receive much less generous, means-tested payments and face difficulties accessing health services, compared with those eligible for accident compensation. The amount of financial assistance that people may receive from the Accident Compensation Corporation (ACC) is usually higher than that provided by MSD for the same level of incapacity. Some people with health conditions and disabilities not caused by an accident miss out on income and return-to-work support from ACC or MSD due to couples-based eligibility rules for financial assistance.

Single people receiving a benefit are at significant risk of having an inadequate income. Most people in receipt of health and disability benefits are single. A significant cost is associated with having a health condition or disability or being a carer of a person with a health condition or a disability. However, the system response has been inadequate and welfare recipients must navigate the complexity of the health and welfare systems to attempt to get all the support they are entitled to.

For people with health conditions and disabilities, engagement in good, suitable work, when the time is right, supports wellbeing. However, the welfare system has had limited impact on supporting people with health conditions or disabilities into sustainable work. Support for carers of people with health conditions and disabilities to return to paid work when their circumstances allow is also limited in the social security system.

We propose improving the health and wellbeing of people with health conditions and disabilities, along with carers of people with health conditions and disabilities who interact with the welfare system, through the:

- provision of financial support that is adequate to live a life with dignity and is equitable across the social sector
- wide implementation of evidence-based approaches to support engagement in good and appropriate work for people for whom this is possible
- implementation of strategies to prevent work-limiting health conditions and disabilities.

People receiving a benefit because they have a **health condition or disability, or care for a person** with a health condition or a disability, make up **53%** of all working-age benefit recipients.

Our social security system does not sit in isolation. Improving outcomes for people on low incomes or in some way receiving support from the welfare system requires a cross-government response.

People not undertaking paid work are also contributing

Not everyone can undertake paid work. An opportunity exists to better recognise the contribution people make through unpaid work (such as caring for children, disabled people and elderly people and volunteering with community organisations or cultural and creative enterprises). The value of caring for children and others and volunteering in one's community needs far greater acceptance and recognition.

Equally, a commitment is needed to ensure that people who are unable in the long-term to work because of ill health or disability can live a life with dignity. This is a fundamental human right. New Zealand must better integrate its economic and social strategies so all of its citizens have a chance to better contribute to the economy, civil society, creative and cultural identity, communities and families.

Isolated change by the welfare system is not enough – integrated, cross-system change is needed

Our social security system does not sit in isolation. Improving outcomes for people on low incomes or in some way receiving support from the welfare system requires a cross-government response. Currently, being on a benefit and/or in poverty often has a detrimental long-term impact on wellbeing for adults and children.

The reasons people receive welfare support are multifaceted, often involving a complex interplay between social, economic, psychological and biomedical factors. The social security system alone cannot prevent or mitigate these factors. What occurs in other parts of the social sector influences who comes into the welfare system and the outcomes for individuals and families supported by this system. Improving outcomes for people receiving support from the welfare system through the use of evidence-informed investments across the social sector now will benefit individuals and families and potentially save money in the longer term.

A significant group of individuals and families experience multiple and long-term disadvantage needing interactions with several government systems. They require a responsive, person-centred, cohesive system of support to improve outcomes. The lack of coordination between government services was a common theme throughout our consultation.

Several reviews and changes are under way or are about to start that could consider how to improve circumstances for people on low incomes or receiving support in some way from the social security system.

Our review contributes to a myriad of evidence about the need for fundamental change and to effect a whakamana tāngata approach to social security – an approach that gives people hope for their future. Nō reira, kia manawanui, kia piki ake te mana tangata.

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All benefits by region at a glance

AS AT DECEMBER 2018

Northland Total 16,700

NZ European	4,691	18-24 yrs	2,270
Māori	10,331	25-54 yrs	10,434
Pacific People	265	55-64 yrs	3,996
All other ethnicities	1,039		
Unspecified	374		

Auckland Metro Total 83,185

NZ European	21,570	18-24 yrs	11,591
Māori	25,679	25-54 yrs	53,580
Pacific People	15,936	55-64 yrs	18,014
All other ethnicities	17,273		
Unspecified	2,727		

Taranaki Total 16,533

NZ European	7,614	18-24 yrs	2,647
Māori	7,099	25-54 yrs	10,211
Pacific People	217	55-64 yrs	3,675
All other ethnicities	1,118		
Unspecified	485		

Central Total 19,095

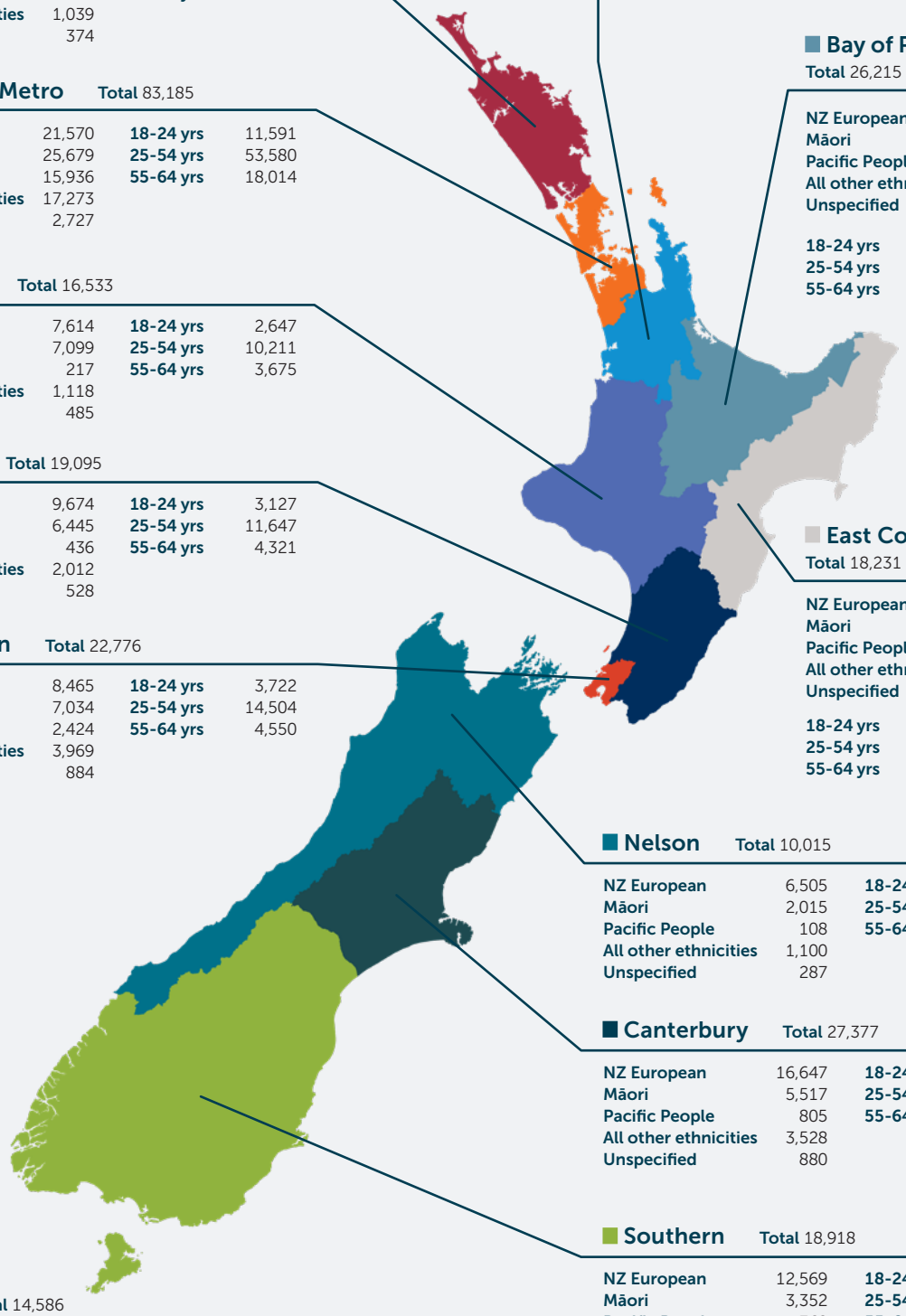
NZ European	9,674	18-24 yrs	3,127
Māori	6,445	25-54 yrs	11,647
Pacific People	436	55-64 yrs	4,321
All other ethnicities	2,012		
Unspecified	528		

Wellington Total 22,776

NZ European	8,465	18-24 yrs	3,722
Māori	7,034	25-54 yrs	14,504
Pacific People	2,424	55-64 yrs	4,550
All other ethnicities	3,969		
Unspecified	884		

Other Total 14,586

NZ European	3,370	18-24 yrs	6,317
Māori	4,157	25-54 yrs	5,979
Pacific People	1,294	55-64 yrs	2,290
All other ethnicities	3,925		
Unspecified	1,840		



Waikato Total 25,714

NZ European	9,855	18-24 yrs	4,359
Māori	11,514	25-54 yrs	16,160
Pacific People	576	55-64 yrs	5,195
All other ethnicities	3,032		
Unspecified	737		

Bay of Plenty Total 26,215

NZ European	8,032
Māori	15,018
Pacific People	646
All other ethnicities	1,837
Unspecified	682
18-24 yrs	4,179
25-54 yrs	16,569
55-64 yrs	5,467

East Coast Total 18,231

NZ European	5,408
Māori	10,846
Pacific People	437
All other ethnicities	1,114
Unspecified	426
18-24 yrs	2,886
25-54 yrs	11,518
55-64 yrs	3,827

Nelson Total 10,015

NZ European	6,505	18-24 yrs	1,225
Māori	2,015	25-54 yrs	6,118
Pacific People	108	55-64 yrs	2,672
All other ethnicities	1,100		
Unspecified	287		

Canterbury Total 27,377

NZ European	16,647	18-24 yrs	4,082
Māori	5,517	25-54 yrs	17,210
Pacific People	805	55-64 yrs	6,085
All other ethnicities	3,528		
Unspecified	880		

Southern Total 18,918

NZ European	12,569	18-24 yrs	2,866
Māori	3,352	25-54 yrs	11,586
Pacific People	368	55-64 yrs	4,466
All other ethnicities	2,038		
Unspecified	591		

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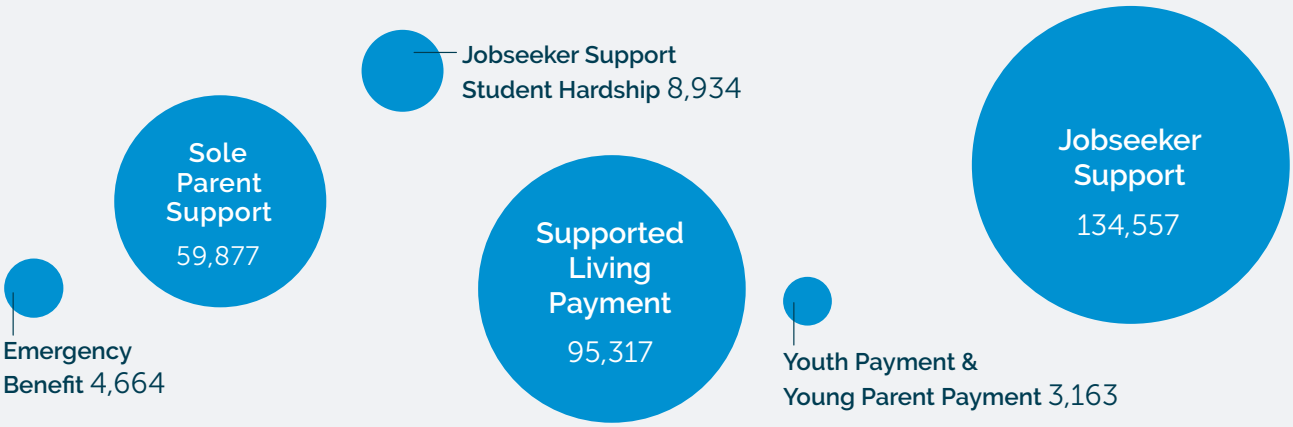
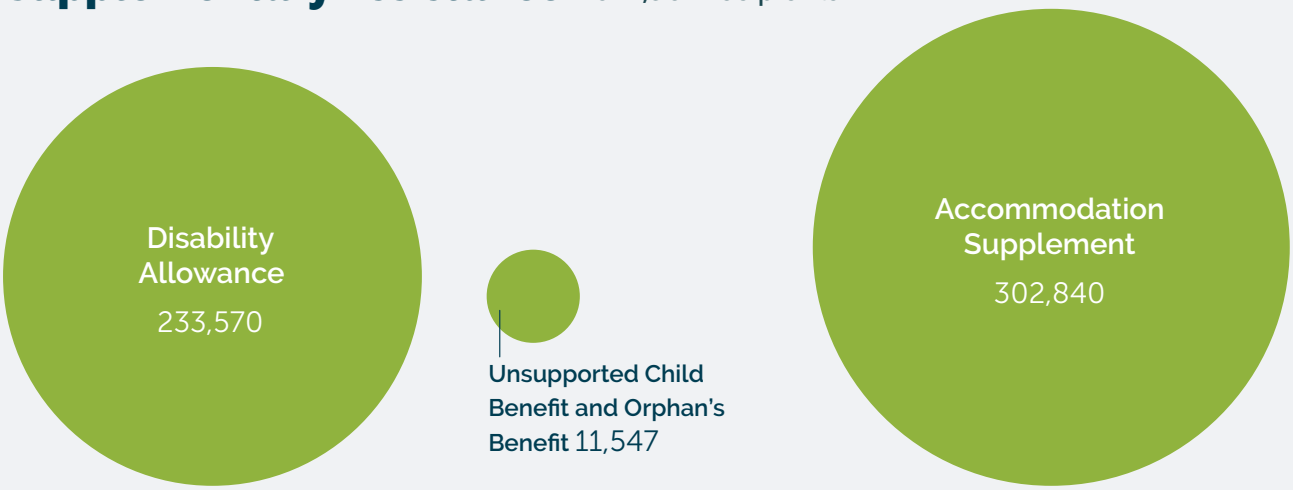
Financial assistance

PROVIDED BY THE MINISTRY OF SOCIAL DEVELOPMENT AS AT DECEMBER 2018

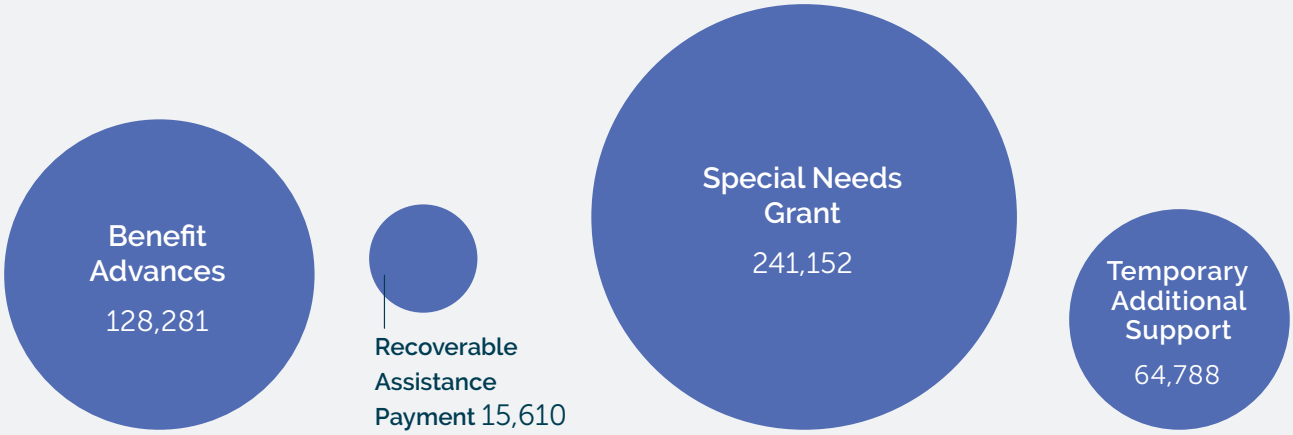
Main Benefits 306,512 recipients



Supplementary Assistance 547,957 recipients



Hardship Assistance 449,831 grants granted



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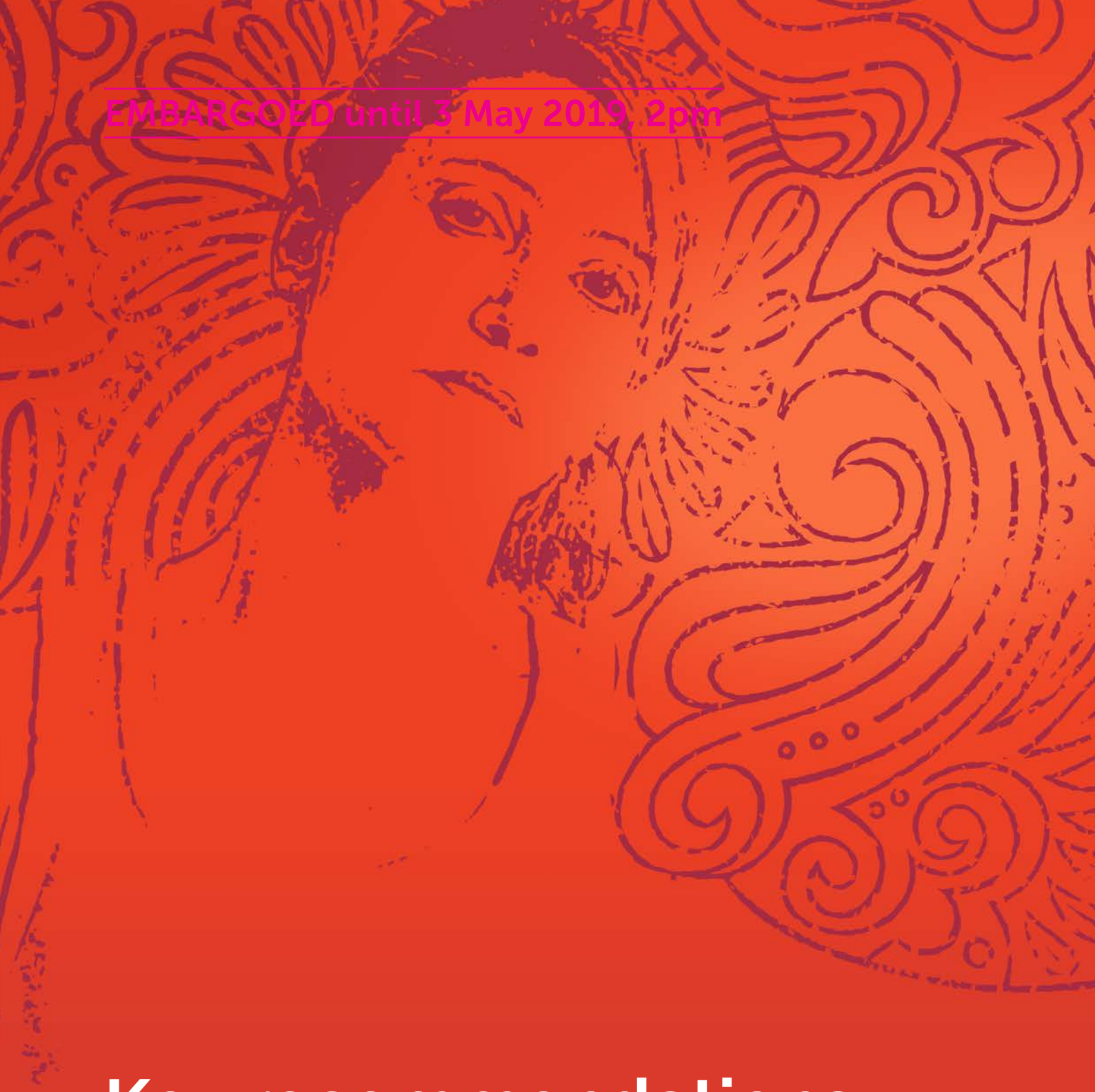

Key recommendations

This chapter collates the key recommendations of the Welfare Expert Advisory Group from chapters 4–11. The 42 key recommendations are supplemented with detailed recommendations at the end of the relevant chapters (which are collated in the table in Appendix D).

Purpose, values and principles

Recommendation 1

Amend the Social Security Act 2018 to state that anyone exercising power under the Act have regard to the following purpose and values.

The purpose of the welfare system is to whakamana tāngata and ensure a dignified life by:

- providing financial security and social security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work.

The welfare system is underpinned by Kia Piki Ake Te Mana Tangata, including kaupapa Māori values of:

- manaakitanga – caring with dignity and respect
- ōhanga – economics
- whanaungatanga – treasuring kinship ties and relationships
- kotahitanga – unity
- takatūtanga – preparedness
- kaitiakitanga – guardianship.

Recommendation 2

Use the following principles to guide the design and operation of the welfare system.

- Be person-centred and wellbeing focused.
- Keep children paramount.
- Value whānau and families.
- Treat people with dignity, respect, compassion.
- Provide an income sufficient for an adequate standard of living.
- Provide full and correct entitlements.
- Deliver support that is easy to access, timely and appropriate.
- Provide an employment service that supports people into good and appropriate work.
- Support provision of housing that is affordable, secure, of good quality and appropriate for the person (and their family or whānau).
- Promote mutual expectations.
- Aim for equitable outcomes.
- Build and maintain effective linkages with other parts of government.
- Be sustainable.

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Governance and performance

Detailed recommendations for this section are listed on page 71.

Recommendation 3

Establish a cross-ministerial approach to implement and monitor the effectiveness of the implementation and impact on outcomes of the Welfare Expert Advisory Group's recommendations (across welfare, health, housing, justice, education and employment) that is cognisant of responsibilities under Te Tiriti o Waitangi (the Treaty of Waitangi) and involves users of the welfare system.

Recommendation 4

Direct the Chief Executive of the Ministry of Social Development to design and implement a welfare system that will fulfil the new purpose and principles of the amended Social Security Act, is cognisant of responsibilities under Te Tiriti o Waitangi and involves users of the system.

Recommendation 5

Direct the Ministry of Social Development and Inland Revenue to publish yearly, whether as part of their Annual Reports or Statement of Intent, or as a standalone report, information on key outcomes for those interacting with the welfare system, including information about full and correct entitlements, take-up rates of payments, employment outcomes, the impact of employment supports and services, and after-tax and abatement earnings.

Measures should include:

- full and correct entitlement for all who are eligible by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- take-up rates of payments by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- employment outcomes by benefit type, ethnicity, gender, location, health conditions and disabilities, age, and duration off benefit (3, 6 and 12 months)
- impact of employment supports and services on outcomes by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- after-tax and abatement earnings for those receiving financial support from Inland Revenue or the Ministry of Social Development by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years).

Recommendation 6

Embed the competencies required to achieve greater equity for Māori in the job descriptions, key performance indicators and performance reviews of the Ministry of Social Development's management and staff.

Recommendation 7

Include in the amended Social Security Act specific requirements for the Chief Executive of the Ministry of Social Development to be accountable to iwi (as recognised collectives) and to Māori (as individuals, whānau and communities) for achieving equitable wellbeing outcomes for Māori from the welfare system.

Recommendation 8

Direct the Ministry of Social Development to commit to building its cultural responsiveness to Pacific People, to achieve equitable outcomes for Pacific People engaging with the welfare system. Cultural responsiveness includes having an awareness of cultural obligations experienced by Pacific People around contributions for weddings, funerals and other critical cultural events and taking account of the nuances within diverse Pacific communities.

Improving outcomes for Māori

Recommendation 9

The Welfare Expert Advisory Group recommends, in addition to the recommendations elsewhere that will improve outcomes for Māori, the Government:

- supports the Ministry of Social Development to continue to shift towards whakamana tāngata – to build the mana of others and uplift them in a way that honours their dignity
- supports the Ministry of Social Development to continue to review and evaluate, with Māori, the services the Ministry delivers to ensure they are effective in improving outcomes for Māori
- works with Māori to consider other effective ways of delivering welfare services and funding that are informed by Te Ao Māori, including longer-term, whānau-centred, strengths-based initiatives.

Rebalancing the social contract – improving the operation of the welfare system

Detailed recommendations for this section are listed on page 90.

Restoring trust

Recommendation 10

Develop a mutual expectations framework to govern interactions between the Ministry of Social Development and those who interact with the welfare system.

Recommendation 11

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).

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Recommendation 12

Improve outcomes by ensuring the public-facing, frontline service is consistent with the new purpose and principles through sufficient resourcing (for example, staffing, support and services), an appropriate performance framework, and complaints and disputes processes.

Recommendation 13

Assist recipients of Sole Parent Support to return to part-time work when their youngest child is 6 years old (subject to supports being available, such as good quality childcare) instead of the current 3 years. Support but not require all sole parents to return to work when their youngest child is under 6 years old.

Reducing the generation of debt

Recommendation 14

Continue to prioritise a reduction in outstanding benefit debt through sustainable repayments, and minimise the creation of overpayments, including reviewing recoverable hardship assistance and current practice, to be more consistent with whakamana tāngata.

Recommendation 15

Align the regulations and practice around benefit debt so that it is treated in substantially the same way as Inland Revenue treats taxpayer debt.

Recommendation 16

Instigate a cross-government approach to managing debt to government agencies.

Minimising the small amount of fraud

Recommendation 17

Endorse the Ministry of Social Development's three-tiered approach to responding to fraud allegation: intervene, facilitate and, as a last resort, investigate. Apply the principles of natural justice in all steps, and, if the outcome is disputed, permit a review independent of the Ministry of Social Development.

Interface with the justice sector

Recommendation 18

Enhance and improve the support for people exiting prisons, including increasing the Steps to Freedom grant, and ensuring that any person who leaves prison has appropriate identification and is engaged with specialised care and supportive housing initiatives. Move practices around prisoner integration out of the 'pilot' stage and draw on evaluation data to embed integrated support for these individuals.

Income support

Detailed recommendations for this section are listed on page 114.

Benefits, Working for Families and supplementary assistance

The following recommended changes need to provide people on low incomes with significantly more than they currently receive (without disadvantaging others on low incomes). Recommendations 19 to 23 should be implemented urgently.

Recommendation 19

Adopt the following 10 principles to redesign the income support system.

- Income support is adequate for meaningful participation in the community, and this support is maintained over time.
- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.
- Main benefits cover a larger proportion of people's living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.
- Changes to income support reduce disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes these entitlements to the broader population.
- The income support system is easy to access and provides timely support, including to people transitioning in and out of the system.
- The income support system is as simple as possible balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.

Recommendation 20

Reform main benefits by:

- increasing main benefits by between 12% and 47% as set out in table 2, page 99
- increasing the abatement thresholds for:
  - Jobseeker Support to $150 a week
  - Sole Parent Support and Supported Living Payment to $150 a week and $250 a week.

Recommendation 21

Fully index all income support payments and thresholds annually to movements in average wages or prices, whichever is the greater. Index Accommodation Supplement rates to movements in housing costs.

Recommendation 22

Consider introducing a Living Alone Payment that contributes to the additional costs of adults living alone (without another adult) on a low income.

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Recommendation 23

Reform Working for Families and other tax credits by:

- increasing the Family Tax Credit to $170 a week for the eldest child and to $120 a week for subsequent children
- increasing the abatement threshold for the Family Tax Credit and changing the abatement rate to:
  - 10% on family annual incomes between $48,000 and $65,000
  - 15% on family annual incomes between $65,000 and $160,000
  - 50% on family annual incomes in excess of $160,000
- replacing the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit with a new Earned Income Tax Credit
- introducing an Earned Income Tax Credit of up to $50 a week for people with and without children and with a couple-based income test
- making the Best Start Tax Credit universal for all children aged under 3 years.

Recommendation 24

Reform supplementary assistance and hardship assistance so they are adequate, appropriately designed and easy to access.

Recommendation 25

Require the Ministry of Social Development to, within 2 years, complete work, including commissioning independent research and focus groups, to establish a minimum income standard for New Zealand (with 5-year reviews).

Recommendation 26

Increase, as soon as possible, overall income support to levels adequate for meaningful participation in the community, as defined by the minimum income standard (which reflects different family circumstances, for example, children, disabilities and regional area) and maintain this level of support through appropriate indexation.

Passing on child support

Recommendation 27

Pass on all child support collected to receiving carers, including for recipients of Unsupported Child's Benefit.

Clarifying eligibility and relationship status

Recommendation 28

Move income support settings over time to be more neutral on the impact of being in a relationship in the nature of marriage.

Alleviating the housing conundrum

Detailed recommendations for this section are listed on page 124.

Recommendation 29

Urgently expand and accelerate Government efforts to substantially increase public housing on an industrial scale and continue urgent efforts to end homelessness.

Recommendation 30

Increase the range of home ownership and tenure options for people on low and low–middle incomes.

Recommendation 31

Increase the capacity of third-sector community-based housing providers.

Recommendation 32

Develop and enact laws and regulations to ensure healthy homes and housing security, decent standards of housing quality, universal design, and accessibility.

Recommendation 33

Subsidise housing costs for people on low incomes (in addition to raising main benefit rates to provide an adequate income) and ensure the combination of changes to housing support and abatement rates make households better off.

Recommendation 34

Improve access to affordable, suitable housing support for people on low and low–middle incomes, including a range of affordable home-ownership products and papakāinga housing.

Improving access to employment supports and work

Detailed recommendations for this section are listed on page 140.

Supporting working-age adults

Recommendation 35

Establish an effective employment service of the Ministry of Social Development so it is better able to assist people to obtain and keep good, sustainable work.

Recommendation 36

Revamp active labour market, labour market, employment and training policies across government to make them more coherent and effective.

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Recommendation 37

Strengthen the Ministry of Social Development's redundancy support policies to better support displaced workers.

Supporting youth to engage in education, training or paid work

Detailed recommendations for this section are listed on page 140.

Recommendation 38

Abolish, in the Youth Service, compulsory money management, and separate case management from youth mentoring so it is consistent with and has a positive youth development focus.

Recommendation 39

Use evidence-based approaches that support young people to be learning, earning and, where young people are parents, caring. These approaches need to build on the strengths of young people and provide a basis for their long-term engagement with the changing world of work.

People with health conditions and disabilities and carers

Detailed recommendations for this section are listed on page 153.

Recommendation 40

Improve the health and wellbeing of people with health conditions and disabilities, along with carers of people with health conditions and disabilities who interact with the welfare system by:

- providing financial support that is adequate to live a life with dignity and is equitable across the social sector
- implementing evidence-based approaches to support engagement in good, suitable work and the community where this is possible
- implementing strategies to prevent work-limiting health conditions and disabilities.

Recommendation 41

Include in the scope of the New Zealand Health and Disability System Review the relationship between the health and disability system and the accident compensation scheme and how the relationship between these and the welfare system could be changed to improve outcomes for people with health conditions and disabilities and carers.

Community

Recommendation 42

Direct the Ministry of Social Development to develop the capacity and capability to engage with, promote and fund community organisations to provide wide-ranging opportunities for volunteers and people receiving benefits to be meaningfully engaged in their communities.

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01 Introduction

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The Government's vision for New Zealand's social security system is one that ensures people have an adequate income and standard of living, are treated with and can live in dignity and are able to participate meaningfully in their communities. The Welfare Expert Advisory Group was established in May 2018 to provide advice to the Government on options that could best give effect to this vision.

The 11 members of the group were chosen for the diverse range of expertise and experience they bring. They represent a wide range of views and backgrounds, and the breadth of their competencies and perspectives has been critical to this comprehensive review.

Process of deciding on the recommendations

We recognised the need to inform our work with the views of New Zealanders supported by and working in New Zealand's welfare system, as well as a solid basis of research and evidence.

To ensure the veracity and rigour of our recommendations, we undertook a broad and inclusive consultation during which we heard the views of over 3,000 people. As well as community forums throughout New Zealand, people shared their thoughts with us through a survey, submissions and stakeholder meetings. We heard from a wide variety of New Zealanders including people receiving welfare payments, employers, service providers, advocates, community workers, and staff of the Ministry of Social Development (MSD). Our consultation process allowed us to hear what happens to shape the lives of New Zealanders and how we might change the system to make a positive difference for families and communities.

Feedback from all consultation channels has been brought together and prepared under key themes and can be found in the Background Paper 'Views on New Zealand's Welfare System' (WEAG, 2019a).

Our work was further supported by background papers on various aspects of the welfare system, to identify and understand the problems along with possible evidence-based solutions. These are listed in the technical appendices. The papers, together with the consultation document, formed the evidence base for the recommendations outlined in this report.

Some of the issues covered in this report were subject to substantial debate within the Welfare Expert Advisory Group. We sought a consensus view on all key issues. While all members might not subscribe to every statement printed here, they endorse this report and its recommendations as a whole.

...we undertook a broad and inclusive consultation during which we heard the views of over **3,000 people**.

Reform is needed to ensure the dignity of all New Zealanders

The current welfare system was designed for the New Zealand of 80 years ago, to support New Zealanders who find themselves in difficult situations through no fault of their own. It has been subjected to decades of amendments but is not equipped for the needs of society in the 21st century. The increasingly complex nature of family, whānau, community, employment, and business structures makes it no longer fit for purpose.

Too many Zealanders are living in desperate situations, and there are pervasive and persistent inequities across the system. There is growing concern for the marginalisation of different groups, with many New Zealanders disproportionately affected including Māori, Pacific People, youth, disabled people, and people with health conditions. These imbalances need to be addressed in ways that will treat people more fairly and ensure a better future for all New Zealanders.

It has been our task to recommend reforms to the welfare system to future-proof it for the coming generations. A system that will return dignity to social security in New Zealand, a system in which we can be proud.

240,000* children live in households below the poverty threshold and **40%** of these children live in working households.

Based on poverty measure of 60% of the median income (after housing costs and adjusted for household size).
*(Perry 2018: 62)

People with a health condition or disability account for over **50%** of the approximately **300,000** working-age people receiving a main benefit.

Each year over **630,000** people receive payments from MSD.

This excludes superannuitants and those in receipt of student loans and allowances.

345,900 families receive a Working for Families tax credit.

Some of those in receipt of the tax credits will also be receiving a payment from MSD.

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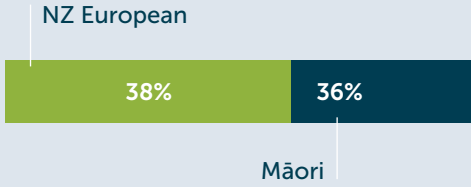
Benefits at a glance

AS AT DECEMBER 2018

All main benefits 299,345 recipients

Male 43%
Female 57%

GENDER

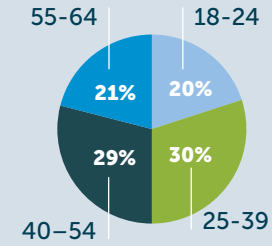


ETHNICITY

Jobseeker Support
134,048 recipients

Male 55%
Female 45%

GENDER



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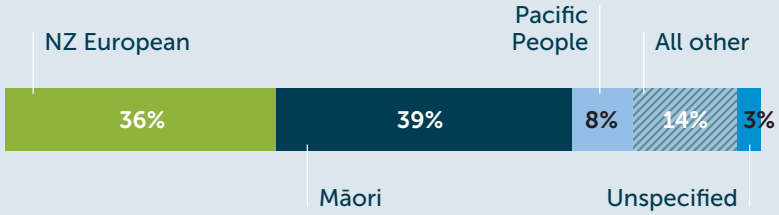


ETHNICITY

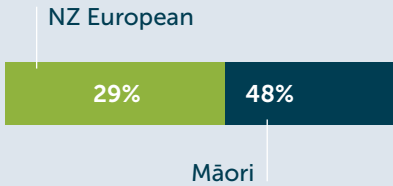
BENEFIT SUB GROUP

Jobseeker - Work Ready 55%
Jobseeker - Health Condition or Disability 45%

Sole Parent
59,870 recipients

Male 9%
Female 91%

GENDER



ETHNICITY

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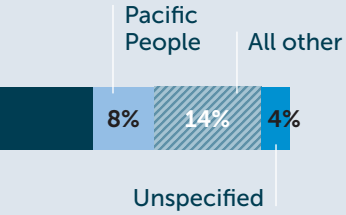
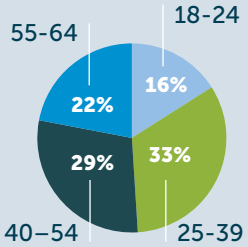




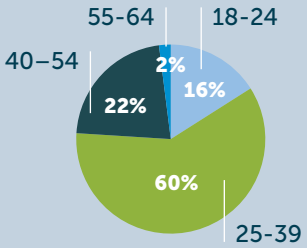
AGE

One year or less 30%

More than one year 70%

DURATION

Support



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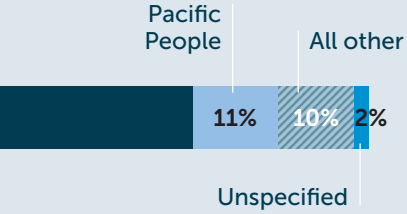


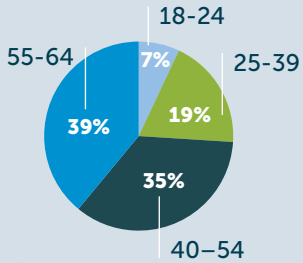
Supported Living Payment

92,687 recipients

Male 50%

Female 50%

GENDER



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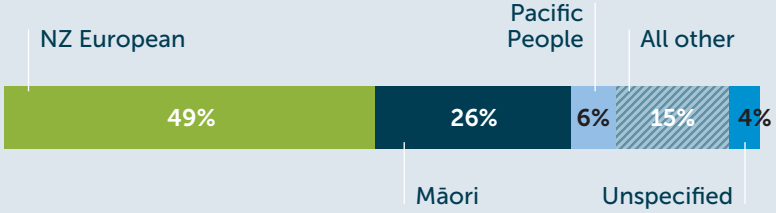

ETHNICITY

BENEFIT SUB GROUP

Supported Living - Health Condition or Disability 91%

Supported Living - Caring 9%

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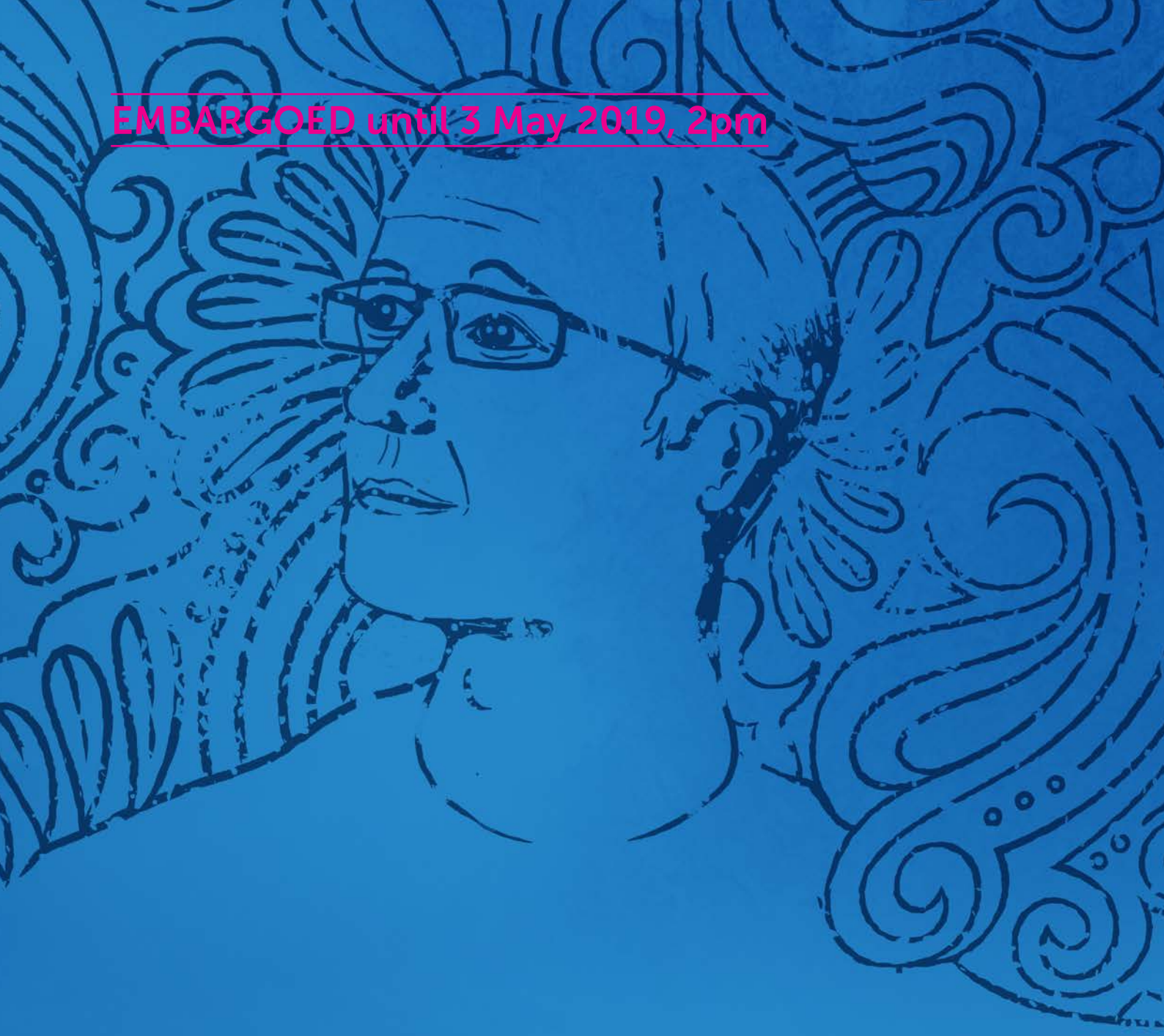

02 Fundamental change is needed

The welfare system of New Zealand is the product of decades of amendments to the Social Security Act. Some amendments were ad hoc, some were attempts to adapt the system to social change and others focused on short-term cost cutting. In recent years, the focus has been on tight targeting and increased conditionality, with concern for the fiscal impact and number of benefit recipients. The overall result is a system that is badly in need of repair and no longer fit for the needs of New Zealand in the 21st century.

Current system was set up in a different time and is no longer fit for purpose

To understand the changes needed now, it is important to understand where the system has come from. New Zealand was one of the first countries to establish a comprehensive social security system following the major disruptions arising from World War I and the Great Depression in the 1930s. The Social Security Act 1938,[2] introduced by the first Labour Government, was seen as taking a world-leading approach. It provided a wide-ranging set of protections against loss of income due to unemployment, sickness or disability, in addition to the existing benefits. It was later accompanied by the universal Family Benefit for each child. Housing was provided through a large-scale state housing programme and subsidised mortgages for home-buyers. The 1938 Act and the subsequent Social Security Act 1964 fitted the social norms and labour market circumstances of the time, high male employment, low labour force participation by married women, a 'family wage' approach to wage setting, and a low rate of sole parenthood (Belgrave, 2012; Blaiklock et al, 2002).

From the 1970s, both social and economic circumstances began to change dramatically in ways that the social security system struggled to cope with. Divorce rates and the numbers of sole parents began to rise. In 1972, the Domestic Purposes Benefit was introduced to provide statutory support for sole parents caring for dependent children or other family members. At the same time, women's labour force participation rose dramatically as women chose to continue their careers after marriage and parenthood. Economically, New Zealand

2 The long title: "AN ACT to provide for the Payment of Superannuation Benefits and of other Benefits designed to safeguard the People of New Zealand from Disabilities arising from Age, Sickness, Widowhood, Orphanhood, Unemployment, or other Exceptional Conditions; to provide a System whereby Medical and Hospital Treatment will be made available to Persons requiring such Treatment; and, further, to provide such other Benefits as may be necessary to maintain and promote the Health and General welfare of the Community".

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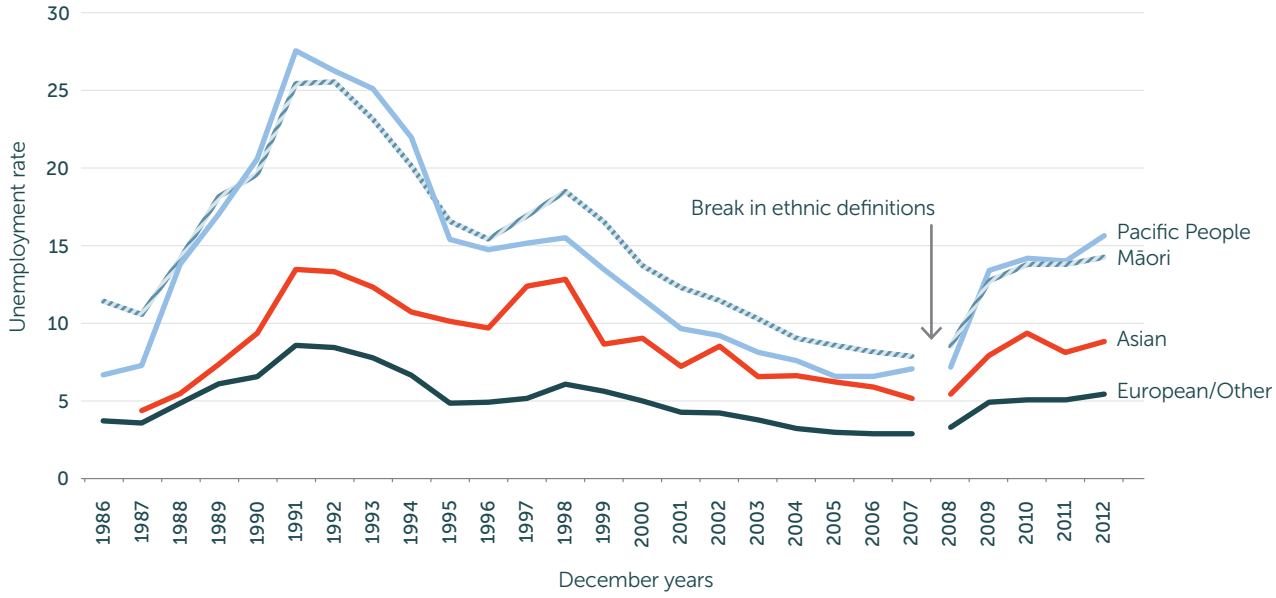
lost its privileged trading relationship with Britain that had underpinned the welfare system and provided near-continuous real wage growth. "Export revenues became insufficient for a growing population and volatile commodity markets highlighted the vulnerabilities of a narrow economic base" (Conway, 2018: 40). This, and oil-price shocks, led to a stalling in real wage growth, contributed to the unravelling of the old wage-setting system, and contributed to rising numbers of unemployed and declining living standards relative to other OECD countries.

The economic reforms from the mid-1980s to the mid-1990s, intended to adapt the country to the new circumstances through a focus on deregulation and market efficiency, led to a rapid rise in unemployment and benefit numbers further straining the welfare system. In 1981, the unemployment rate[3] was only 3.9% but it reached a peak of 10.6% in 1991[4] and 1992, with 180,400 people unemployed in 1992. The unemployment rate for Māori peaked at 25.6% in 1992 and 27.5% for Pacific People in 1991 (see figure 1). For young people aged 15–24, the unemployment rate reached a peak of 19.1% in 1991 (MSD, 2016).

Figure 1: Unemployment rate, by ethnic group, 1986–2014



Source: Statistics New Zealand, Household Labour Force Survey in Ministry of Social Development (MSD, 2016).

Notes: Year ended December. For 2007 and earlier, people are counted in only one ethnic group (ethnicities are prioritised). From 2008, people can be counted in more than one ethnic group (total response). Caution should be used when comparing the two ethnic series over time.

Asian rates are suppressed in 1986 because of small numbers.

3 The unemployment rate is the number of people aged 15 years and over who are not employed and who are actively seeking and available for paid work, expressed as a percentage of the total labour force, as measured by the Household Labour Force Survey.

4 New Zealand Unemployment Rate https://www.indexmundi.com/new_zealand/unemployment_rate.html

One of the lessons from the reforms of the 1980s and early 1990s is that persistent long-term unemployment was particularly harmful (Nolan, 2013). In 1987, unemployment was low and the proportion of people unemployed who were out of work for 6 months or more (long-term unemployed) was only 27%. However, by 1991, 44% of people out of work were long-term unemployed. Even in the good times, long-term unemployment amongst disadvantaged communities persisted. This proportion remained above its 1987 level until 2003, because employers were relatively unwilling to take a chance on people who had been out of work for a sustained period (Nolan, 2013).

From 1991, social assistance became targeted and more conditional. Assistance became targeted to those on very low incomes. The 1991 cuts to entitlements were substantial for most benefit categories.[5] The new benefit levels were set in relation to an 'income adequacy standard' that was based on estimates of minimum requirements for food and living expenses. This estimate departed from the principle of relativity that had guided government policy since 1972. Policy reforms through the 1990s focused on reducing benefit 'dependency' and moving benefit recipients into paid work.

This period saw the emergence and expansion of increasingly targeted supplementary assistance programmes on top of the basic benefit to meet a range of individual needs[6] (Mackay, 2001). In the 1990s, supplementary payments were reformed. For example, housing assistance provided through the new Accommodation Supplement was intended to target expenditure on housing support more tightly to those most in need.[7] Together with lowering of the levels of the main first-tier benefits, changes to supplementary payments resulted in a large shift in the balance between the amount of assistance delivered through the basic benefit and the amount delivered through the second-tier programmes. In 1984, spending on second-tier assistance amounted to only 1.1% of total expenditure on benefits and pensions but, by 1996, this had increased to 9.4% of the total (Mackay, 2001). The system of supplementary payments, developed on an ad hoc basis rather than being based on empirical evidence, is complex to administer and difficult for staff and end users to understand. Take up of the supplementary payments is lower than expected, especially among people who are not receiving first-tier assistance.

Financial hardship increased for many New Zealanders in the 1980s and 1990s. This can be seen with the emergence and expansion of food banks (Mackay, 1995; 2003) and increased poverty rates (see figure 2). In response, the Government introduced greater requirements on benefit recipients to use budgeting services.

5 The rate for the Invalid's Benefit remained unchanged.

6 For example, Accommodation Supplement, Special Needs Grant, Disability Allowance, Child Disability Allowance, Childcare Subsidy.

7 This was accompanied by the sale of state houses and the introduction of market rents (Blaiklock et al, 2003).

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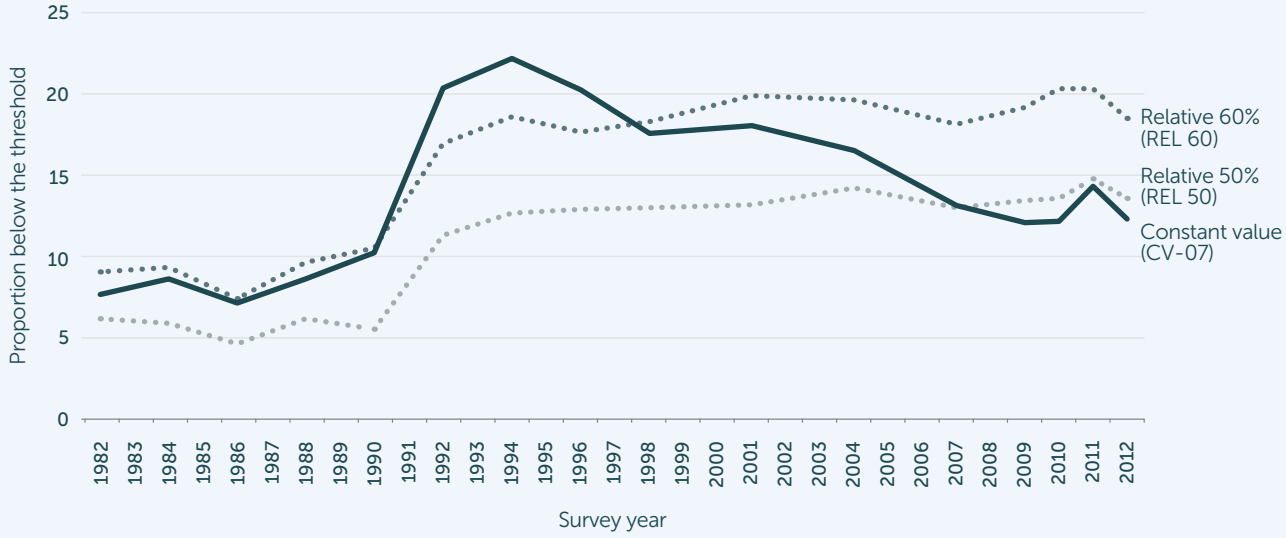
Figure 2: Proportion of population with net-of-housing-costs household incomes below selected thresholds, 1982–2014



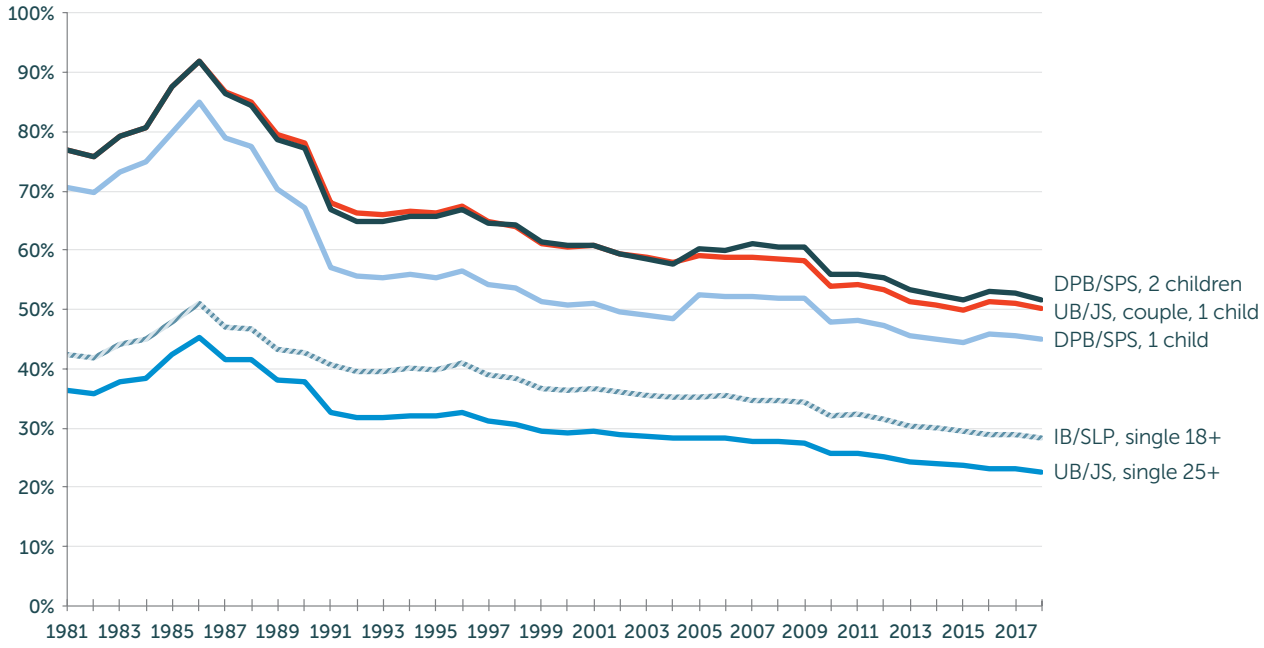
Source: In MSD (2016), Ministry of Social Development, using data from Statistics New Zealand's Household Economic Survey.

Note: The period between Household Economic Surveys has varied across the period shown.

After 1991, main benefit rates (but not supplementary and other payments) were adjusted annually for changes in the consumers price index. They were not, however, adjusted in line with changes in wages or incomes. The result is that the incomes and living standards of benefit recipients have continued to fall behind those of the rest of the community. This is clearly evident in figure 3, which shows the trend since 1981 in after-tax benefit rates, including family assistance, as a percentage of the after-tax average wage.

Figure 3: Comparison of benefit rates to average wages, 1981–2018

SELECTED NET BENEFIT RATES (INCLUDING FAMILY ASSISTANCE) AS A PERCENTAGE OF NET AVERAGE WAGE RATES



Source: Fletcher 2018a.

Notes: DPB = Domestic Purposes Benefit; IB = Invalid's Benefit; JS = Jobseeker Support; SLP = Supported Living Payment; SPS = Sole Parent Support; UB = Unemployment Benefit.

Family assistance includes Family Tax Credit, Family Support, Child Supplement and Family Benefit over the relevant years. It does not include In-Work Tax Credit or any partial entitlement to Family Tax Credit a person/couple on the average wage might be entitled to. Average wage is all industries, both sexes, average ordinary earnings (FTEs).

The changes to the welfare system in the 1980s and 1990s did not happen in isolation. Increased targeting across health,[8] education[9] and the benefit and tax credit systems resulted in overlapping withdrawal of state assistance with increasing income. This created the potential for poverty traps where people lost more income than they gained from increasing their earnings from work (MSD, 2018a).

The most recent changes, in the period from 2010 to 2017, did not alter the rate of most benefit payments.[10] They sought to make the rules and administration of welfare more 'work focused', with changes in benefit names, a wide range of new obligations and conditions and an emphasis on reducing numbers on benefits using targets and other key performance indicator measures. The changes also sought to target more intensive assistance and case management towards those benefit recipients likely to cost the most in terms of future benefit expenditure (for example, sole parents) and away from benefit recipients who were

8 For example, restructuring the funding and provision of health care, with a new 'user-pays' regime of charges for primary care, with state assistance dependent on income; and deinstutionalisation.

9 For example, universities being allowed to set their own fees, Student Allowances becoming means tested in relation to parental income and a new Student Loan Scheme introduced to cover fees, courses costs and living expenses.

10 Rates for some sole parents were increased in 2016.

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likely to quickly move into work (for example, new job seekers).[11] These changes have reduced total benefit numbers (aided by a strong labour market), which fell from 320,041 in June 2012 to 276,331 in June 2017.[12] No evidence exists that the changes improved the Ministry of Social Development's (MSD's) effectiveness in placing people into employment or resulted in an overall improvement in incomes and wellbeing for current and past benefit recipients.

The rate of 'churn' of people going into unsuitable or precarious work for short periods then back into the benefit system shows many people were experiencing few positive and long-term changes in their wellbeing. A recent study found that close to one out of every two people leaving benefit returns within 18 months, especially those with lower earnings (Judd & Sung, 2018).

Many people are leading desperate lives with seriously inadequate incomes

The historical trends in the welfare system are consistent with what we heard in our consultation hui. An overwhelmingly common theme throughout the consultations and in written submissions was the wholly inadequate nature of current levels of income support. Associated with these concerns were comments about housing costs, debt and increasing rates of homelessness (Johnson et al, 2018). In addition, the financial incentives to enter paid employment are minimal once benefit abatement rates and thresholds, taxes and work-related transport and childcare costs are accounted for.

These points are supported by evidence from our construction of budgets for a selection of example families. We found evidence that the levels of main benefits are well below those levels necessary for an adequate standard of living, let alone the levels necessary for even modest participation in society. Even with modest levels of expenditure across core spending items (for example, food, power and housing), individuals and families receiving a range of income support payments face ongoing financial deficits (total spending levels greater than their income entitlements). These conclusions also hold for many of those in paid employment on low wages. Further, spending that allows people to participate meaningfully in their communities (for example, children's sports fees) results in even larger deficits, as does servicing existing debt. Our findings from the example budgets analysis are detailed in chapter 7.

> *"The current welfare system is inadequate and children and whānau are missing out on necessary things such as food and power. Sacrifices are being made and this is impacting on our children. Hungry children cannot learn at school and these children are the most at risk of future negative outcomes. Whānau are stressed and becoming overwhelmed."*
>
> **PAST WELFARE RECIPIENT**

11 The Welfare Working Group found most MSD employment assistance, including case management, went to those unlikely to remain on welfare long term. The Welfare Working Group recommended that MSD better align the level of employment assistance to the expected future liability of the people receiving income support (Welfare Working Group, 2011).

12 Source www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/archive-2017.html.

As a result of benefit levels being below the level required for sustaining even a basic standard of living, many people receiving benefits are in debt. The combination of unsustainably low incomes and high basic living costs means indebtedness is almost inevitable for many people on benefit for any length of time. The growing debt burden becomes a vicious circle, resulting in even less disposable income as families struggle to repay debts, including recoverable grants from MSD. Debts to third-tier lenders usually involve high interest rates, high fees and high penalties for late payment.

High housing costs are exacerbating the problem

> *"[We are concerned about] housing and lack of suitable housing, children and families in emergency accommodation long term."*
>
> **WELLINGTON ROUNDTABLE**

One of the largest expenses people face are housing costs. On average, housing costs make up around 45% of expenditure for low-income households. For the bottom 20%, average housing costs as a proportion of average income have increased from 29% to 51% since 1988. Housing affordability is an important contributor to wellbeing and a reasonable standard of living. Home ownership rates have fallen to their lowest rate since 1953. The rate for Māori households declined 20% from 1986 to 2013, while for Pacific households the decline was 35%. Māori home ownership is around 28%, Pacific 19% and European 57% (Johnson et al., 2018, WEAG, 2019i). At the same time, renting has become less affordable, leading to overcrowding, and homelessness is a serious problem.

There are just not enough houses to meet demand. Of the current housing stock, too many are unaffordable for low-income families. Many are substandard, poorly insulated, damp and unhealthy. A critical longer-term aspect of the housing crisis is its contribution to the growth of wealth inequality: a central aspect of our original welfare system was the ability of most people, including low-income families, to acquire an asset base in the form of a house. The policy was effective in reducing poverty in old age because most households paid off their mortgage before retirement (Castles, 1985). We now face the prospect of a large cohort of renters who will become superannuitants, moving into their later years without housing security and with the ongoing cost of rent payments.

The housing crisis is also a critical issue contributing to ill health, with the above factors causing stress for those who are unable to live in a secure, warm, dry home of the right size for themselves or their family. Numerous studies into the health of populations and their housing conditions provide evidence of strong associations between poor health and low-quality housing (Howden-Chapman et al, 2012; Howden-Chapman & Chapman, 2012; Mueller & Tighe, 2007; Thomson et al, 2009).

Overcrowding increases the risk of infections spreading, including life-threatening diseases such as pneumonia and bronchiectasis, asthma attacks, gastroenteritis, serious skin infections, kidney diseases,

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rheumatic fever and meningococcal disease. Coldness, damp and mould increase the risk of getting sick with a virus, makes asthma worse, and can increase the incidence of heart and lung disease. Living under financial stress in poor-quality housing or no housing is a contributory cause and consequence of mental illness (Government Inquiry into Mental Health and Addiction, 2018; Potter et al, 2017). Census data consistently shows that Māori and Pacific People are much more likely to live in poor-quality housing and face these higher health risks.

Various aspects of the welfare system work against people building up assets. Housing support for rents or mortgages has harsh asset-testing rules that make it difficult to become a home owner. The state could end up paying much more in housing assistance than it would have had it supported households into their own housing. Housing for disabled people is frequently not modified for their needs. Multi-generational Pacific families seldom have houses large enough to cater for them and end up overcrowded, even though building separate smaller houses is much more expensive than building a larger house on a square metre basis.

> *"Often those on a benefit are at the LOWEST point in their lives and they need encouragement and acceptance from Work and Income case managers. They don't need to be pulled lower but need to be pushed higher and supported generously. I think case managers should go through more training on social services and how to relate to people that are dysfunctional and need their help. Compassion! Support your clients with compassion."*
>
> **PAST WELFARE RECIPIENT**

Rebalancing the social contract

The social contract[13] is evident in key New Zealand statutes such as the 1938 Social Security Act. Government provision of financial assistance for New Zealanders unable to achieve an adequate standard of living was central to the social security system set out in the 1938 Act, alongside other critical support such as access to health care, education, housing and adequate employment. On the other side of the contract, there are expectations of people receiving financial support, such as an expectation to participate in training or other activities or to seek employment where appropriate.

While the social security system has undergone periods of significant reform (as mentioned earlier), the broad consensus throughout our consultation is that it is the Government's responsibility to provide that support. Since the 1980s, the support provided to people by government has been reduced. Requirements that must be met, and aligned sanctions, to access the reduced support have increased considerably and contributed to the hardship faced by many in the welfare system. In our view, the social contract has become imbalanced.

13 The social contract is the idea that people consent to be governed. Under the contract, people pay taxes and give up some freedoms but receive fairness and order from the government.

The current benefit system is based on a one of conditionality and sanctions. We heard overwhelmingly through our consultation that such a system diminishes trust, causes anger and resentment, and contributes to toxic[14] levels of stress. The application of obligations and sanctions in New Zealand (and elsewhere) is problematic.

Work obligations have always existed in the social welfare system. The emphasis on work obligations has increased over time, and this increase has included the expansion of full-time and part-time work obligations to more people, with requirements to participate in work-preparation activities for almost everyone who is not subject to a work test. However, most of the obligations under the current regime are not work related, instead they are designed to elicit certain social behaviours or to transfer some administrative burden to the recipient (MSD, 2019a).

The empirical literature provides no single, overarching answer to whether obligations and sanctions in welfare systems bring about the desired forms of behavioural change, such as movement into paid work or whether the positive effects of obligations outweigh the negative (Watts & Fitzpatrick, 2018: 111). Research does indicate that obligations and sanctions can be costly to administer and comply with and have many harmful unintended consequences that compound social harm and disconnectedness (for example, movement in and out of insecure jobs, interspersed with periods of unemployment; disengagement from the social security system; increased poverty; increased crime to survive; worsened ill-health and impairments) (Economic and Social Research Council, 2018; Watts & Fitzpatrick 2018; Butterworth et al, 2006; Kiely & Butterworth, 2013; Davis, 2018). There is even less evidence that non-work-related obligations and associated sanctions achieve the stated aims of intended behavioural modification.

A high number of obligation failures[15] are disputed (46%) and almost all (98%) of these disputes are upheld with the failure being overturned. This may indicate that the disputes process is working effectively, but it also highlights that, often, failures that can lead to sanctions are applied incorrectly and without the proper checks being applied (MSD, 2019c).

> *"I have often been to WINZ [Work and Income, Ministry of Social Development] appointments with people on a benefit. The beneficiaries usually get terribly stressed for a week or so before the planned appointment. It shouldn't be a stressful experience. Some staff are wonderful and know what the beneficiaries are entitled to, the next WINZ staff member that the beneficiary may see, may tell them something entirely different – it is very confusing and feels like a roller coaster ride."*
>
> **FRIEND/FAMILY MEMBER OF WELFARE RECIPIENT**

14 Researchers at Harvard University have developed the concept of toxic stress to show how the executive functions of the brain are damaged by toxic stress (Shonkoff et al, 2012).

15 Refer to the glossary.

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This environment has contributed to people losing trust in the service they have been receiving. People consulted reported that aspects of MSD's operation that eroded trust included:

- a punitive sanction regime with a wide array of obligations
- a complex and bureaucratic system for both staff and recipients of support, which contributed to inconsistent service
- difficulty in obtaining clear information about entitlements and understanding decisions made by staff
- an often unwelcoming atmosphere in service centres that is not helped by the controlled entry and presence of at least three security guards in each service centre
- too little time allocated for appointments
- delays in processing applications and payments, leading to people not getting what they need when they need it
- performance measures that focus on efficiency and reducing liability rather than on what is best for the individual or family
- a system that makes it hard to avoid debt
- a difficult and intimidating disputes and complaints process.

Recent research recommends a move away from such systems towards more personalised services.

Many people on the consultation talked about the value of advocacy in relation to having support at their interviews, as well as the value of being able to get information about their entitlements. Some MSD staff also commented on how useful and helpful advocates often were in interviews and other interactions. Advocates are often volunteers in their communities or are community workers doing multiple support roles with different agencies, and this vocation needs to be supported by MSD staff and management.

Some groups are disproportionately negatively affected

Welfare system has failed to deliver for Māori

Māori have a unique relationship with the Crown as a partner to Te Tiriti o Waitangi (the Treaty of Waitangi). As such, they are entitled to rangatiratanga and to citizenship entitlements. Māori are a heterogenous population with increasing numbers succeeding at university and in business and others with no formal qualifications and few employment prospects. Intra-ethnic variation is greater than inter-ethnic variation (Cunningham & Durie, 2005). That said, economic restructuring in the 1980s hit Māori families particularly hard. Since then, many families and individuals have struggled to survive as the number of low-skilled

> *"A lot of things haven't worked for a very long time for our whānau. The system is currently broken. We have case managers who are absolutely judgmental as soon as whānau walk through the doors."*
>
> **PAST WELFARE RECIPIENT**

jobs has decreased and wages for low-skilled jobs have continued to decline relative to the cost of living. Retraining and upskilling require considerable support and access to equity that is not readily available to these families and individuals.

While many Māori are doing well in education and the labour market, there is a persistent disparity in rates of unemployment and benefit receipt. Māori make up 36% of all working-age people receiving a benefit as a primary benefit recipient. Age standardised rates of receipt are more than three times higher for Māori than for non-Māori and are highest for Māori women.

Many of the reasons for this disparity are associated with other systems that influence job opportunity, such as the failure of the educational system to address Māori learning and higher incarceration rates for Māori. Demographic differences, such as a younger age of parenting, having fewer assets (including less stable, quality housing and increased debt), and being geographically concentrated in poor and rural areas, all contribute to a lessening of opportunities for Māori to enjoy the same level of wellbeing, access to employment, progression into more highly paid work and home ownership. While these other social and economic domains play a role, the simple fact is that the failures of the current welfare system will, and do, disproportionately affect Māori because of Māori people's greater reliance on welfare. A benefit system that better promotes wellbeing would make a bigger difference to the Māori population, and addressing the inadequacies of the current system is a prerequisite for addressing child and family poverty among Māori.

System is not responsive to the changed needs of families and whānau

Families, and arrangements for the care of children, are more diverse and fluid than in the past. Most families with children aged under 18 are two-parent families, but it is now common for children to spend some part of their childhood in a one-parent household. In families where both parents have well-paying jobs, this is less problematic, but where sole parenthood means reliance on benefit, it is associated with a high risk of poverty. New Zealand has a high rate of sole parenthood by OECD standards, a high rate of sole parent benefit receipt, and a high rate of poverty and child poverty among sole parent families. The proportion of families headed by a sole parent has been gradually declining since the mid-2000s after a period of rapid growth. However at 27% in 2013, the proportion remains high compared with other OECD countries - higher than all but two out of 39 OECD industrialised countries (MSD, 2018a, 2018b; Superu, 2018). In addition, Working for Families payments and thresholds, although adjusted periodically, have not been consistently and fully indexed to changes in costs or median incomes.

Current policy settings have also not been able to adapt to the prevalence of two earners in couple families. It is the norm now for both partners in two-parent households to be in employment. Around two-thirds of two-parent households with dependent children are dual-earner families (up from one in two in the early 1980s). For many families, two (or sometimes three or more) jobs are needed to provide an adequate income. Partnered people affected by job loss often do not qualify for income support if their partner is in paid work (even on minimum wage) because of a joint income test and the tight targeting of payments. The system is still based on a one-earner model where one income is enough for a family. Tight targeting worsens that problem. For sole parents and partners in two-parent families, benefit reforms since the early 1990s have extended stand-down and non-entitlement periods, which mean that moving on and off benefit is associated with larger breaks in income. These changes in parents' employment patterns and in the labour market, together with the out-dated structure of the welfare system, have resulted in very few partnered people being eligible for a benefit. Only 7% of all benefit recipients are partnered (see figure 4).

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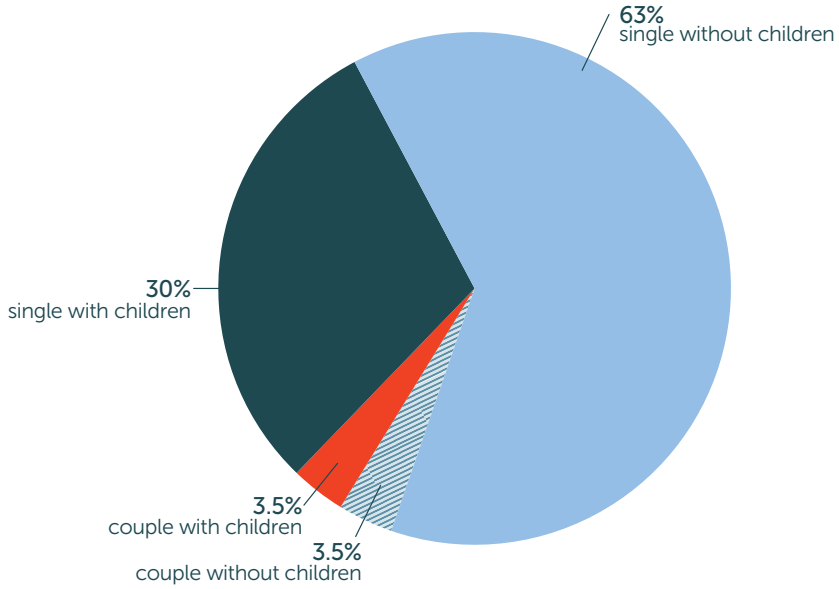
Several recent studies asked families and whānau with high service needs how they experienced accessing benefits and other services (Auckland City Mission, 2014; Baker et al, 2012; Ministry for Women, 2018; Pipi & Torrie, 2018). For families and whānau in the studies, the level of financial assistance provided through the benefit system was often inadequate. To access support, families and whānau often needed to engage with multiple staff within MSD and across different government agencies. While some reported positive interactions, many found the experience unpleasant, time consuming, humiliating and frustrating. The system was seen as complicated. Some families and whānau were not aware of their entitlements and obligations. Some with a high need for support avoided engaging with MSD and other agencies.

Figure 4: Benefits paid to people by family type as at June 2017



Source: MSD, 2018a.

Note: There is a small amount of imprecision in these figures because a partnered person is recorded as single when benefit is paid in Australia, and where the partners are on different benefits (but paid at half married rate each) – for instance, a couple where one is receiving Jobseeker Support and the other Supported Living Payment -Carer because they are caring for someone.

Many adults receiving a benefit because they have or are caring for someone with a health condition or a disability have poor outcomes

Life outcomes for people with work-limiting health conditions or disabilities are poor, compared with outcomes for the general population. The welfare system plays an important role in supporting such people but is failing to do all that it could.

The number of people on health and disability benefits has remained high, despite efforts to reduce numbers. As at September 2018,[16] 58,234 received Jobseeker Support – Health Condition or Disability (JS-HCD) and 83,828 received Supported Living Payment (SLP) (MSD, 2018b).[17] People receiving either benefit for a health condition or disability make up the largest group (49%) of working-age people receiving

16 Quarterly Working-Age Benefit Numbers – September 2018 (www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2018/quarterly-benefits-sept-18-a3-final.pdf).

17 JS-HCD replaced Sickness Benefit, introduced in 1939, and SLP replaced Invalid's Benefit, introduced in 1939.

In New Zealand, the association between poverty and benefit receipt is strong, and Māori and Pacific People are disproportionately adversely affected.

a benefit. A further 8,585 people receive SLP Carers because they care for someone with a health condition or disability.[18] People receiving a benefit because they have a health condition or disability or care for someone with a health condition or disability make up 53% of all working-age benefit recipients (WEAG, 2019k).

These figures are likely to underestimate the number of people receiving a benefit who have a health condition or disability or care for someone with a health condition or a disability. People receiving other working-age benefits (for example, Sole Parent Support, Jobseeker Work Ready) are not asked whether they have a health condition or disability. Research suggests that people on other benefits are likely to have health conditions or disabilities, especially mental health conditions (OECD, 2018b).

In New Zealand, the association between poverty and benefit receipt is strong, and Māori and Pacific People are disproportionately adversely affected. Poor quality housing, overcrowding, homelessness, alcohol and other drug addictions, and intergenerational trauma are additional factors. Māori are disproportionately represented among those receiving SLP (24%), JS-HCD (30%) and SLP Carers (38%). Māori represented 12.7% (or 340,100) of the total labour force in 2017 (MBIE, 2017). Pacific People make up a small proportion of people receiving JS-HCD (5%) and SLP (7%). Most recipients of health and disability benefits are aged over 40. Many have no educational qualifications. The majority are single and without dependent children. Few have earnings while on benefit, and long-term receipt of benefit is common (WEAG, 2019k).

The composition of the population on benefit for reasons of ill-health or disability has changed in recent decades. Proportionately more people now receive a benefit for a health condition or disability because they have a mental health condition. People with a mental health condition make up the largest proportion of those receiving both health and disability benefits (48% of JS-HCD and 36% of SLP recipients). Of concern, is that greater proportions of younger JS-HCD and SLP recipients have a mental health condition.[19] These figures are likely to underestimate the number of people receiving a benefit with a mental health condition because comorbidity is common and MSD often only reports on the primary incapacity listed on the medical certificate. Musculoskeletal disorders are also common among JS-HCD recipients. Among those receiving SLP, a large proportion has intellectual disabilities or congenital conditions (WEAG, 2019k).

Considerable research into the causes of the long-term increase in health and disability benefit receipt has not drawn conclusive findings. We can say ill-health and disability are caused by variety of social, economic, psychological and biomedical factors. These factors not only affect individuals to make them unwell or disabled but also produce highly patterned health differences in populations that reflect inequalities in society (Kelly et al, 2009). With increasing age, the risk of developing a

18 Accurate data is lacking about carers, who they care for in the welfare system and their experiences. The population of carers is broader than those receiving the SLP Carers. Some people are likely to be under-represented in the welfare system as carers (for example, young carers, carers of adult children and carers of people with intermittent conditions).

19 Among SLP clients, mental health conditions are the primary incapacity for 48% of clients aged 24 or younger and 34% of clients aged over 40. Among JS-HCD clients, mental health conditions are the primary incapacity for 70% of clients aged 24 or younger and 42% of clients aged over 40.

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work-limiting disability or chronic health condition increases. Lifestyle risk factors (for example, obesity) that contribute to poor health and disability have increased. Medical advances mean more people with previously fatal conditions survive, albeit with work-limiting health conditions or disability. Diagnostic improvements and changing attitudes mean conditions that have always existed are more widely recognised (for example, mental health conditions). More people are living in poor social and economic circumstances. Inadequate income (poverty) is linked to poor health outcomes, especially where poverty is long term (Kvalsvig, 2018). Evidence is considerable that unemployment has a detrimental impact on health and wellbeing, and so may contribute to these figures (Curnock et al, 2016; Waddell & Burton, 2006; Whitley & Popham, 2017).

Changes in policy have influenced recipiency rates for health and disability benefits. In New Zealand, until the late 2000s, little policy focused on people receiving health and disability benefits. In the past decade, the growth in the number of people receiving health and disability benefits has slowed but numbers remain high. The slowing in the increase can, in part, be attributed to a greater focus on moving benefit recipients with work-limiting health conditions and disabilities into work. However, as in other OECD countries, in New Zealand, increased activation policies had limited impact on improving outcomes for recipients of health and disability benefits. Long-term benefit receipt remains common – especially among SLP recipients. Rates of engagement in part-time work while on benefit are low for both JS-HCD and SLP recipients. Many recipients of health and disability benefits who do leave benefit for work later return (WEAG, 2019k).

Many New Zealanders will take on a caring role at some stage of their lives.[20] Individual, family, whānau and āiga carers are crucial for enabling those who require additional help to develop, live and participate in their communities, with greater independence, autonomy, quality of life and social inclusion. Experiences across caregiving roles are common, but caregiving trajectories vary in duration and intensity.[21]

As is the case with the wider population of carers, carers in the welfare system are most likely to be women of working age who are caring for an older relative or a child with a health condition or disability (WEAG, 2019l).

Overall, the welfare system lacks accurate data about carers, who they care for within the welfare system and their experiences. The population is broader than that receiving SLP Carers benefit (for example, sole parents and grandparents caring for ill or disabled children who do not qualify for SLP Carers, partners of SLP recipients,[22] those caring for adult children but on benefit for another reason). Some people are likely to be under-represented in the welfare system as carers (for example, young carers, working partners of people with significant health conditions or disabilities, carers of people with intermittent conditions).

20 Following deinstitutionalisation, the expectation that individuals, families, whānau and āiga would provide care grew (WEAG, 2019l).

21 For example, some carers engage in long-term care of people with significant but stable disabilities. Some carers experience increasing care responsibilities punctuated with episodic events, such as hospitalisation and placement in rehabilitation or long-term care facilities. For others, the care trajectory may begin with sudden intensity, then gradually decrease as the person's health improves. Other carers have a non-linear care trajectory (for example, caring for someone with cancer) (WEAG, 2019l).

22 Currently, where a spouse or partner is caring for someone receiving SLP, they will receive this payment at the couple rate but not as a carer.

Many Pacific families face multiple disadvantage

"Pacific people have crafted vibrant and dynamic communities, effectively at lower cost, with less capital, and with limited government assistance" (Salesa, 2017). Nevertheless, the struggles faced by many Pacific People are very real.

High proportions of Pacific families (31.6%) face multiple disadvantages (MSD, 2016). Pacific People had the lowest real median hourly earnings of all ethnic groups in the June 2014 quarter, with earnings remaining essentially unchanged in the past 5 years (MSD, 2016). Moreover, Pacific People are largely concentrated in communities characterised by high levels of deprivation (Joynt et al, 2016; Marriot & Sim, 2014; Salesa, 2017). These communities lack many of the supports and services available in wealthier suburbs and often have higher numbers of liquor, fast food and convenience stores. Living in deprived neighbourhoods is associated with negative social outcomes (Cunningham & MacDonald, 2012; Van Ham et al, 2014).

Pacific People have low rates of home ownership and are more likely to reside in state housing (WEAG, 2019i). Most Pacific homeowners are legacy homeowners with homes passed onto future generations to live in. Overcrowding is much more common among the Pacific population (MSD, 2016; 2018a). Pacific People often live in extended families. The family is the centre of the community and way of life and enhances identity and belonging. The availability of affordable housing that supports Pacific ways of living is limited, especially in Auckland. The concentration of two-thirds of the Pacific population in Auckland means this population is disproportionately exposed to the expensive Auckland housing market.

High levels of household debt, which, in many cases, have become intergenerational, significantly affect the wellbeing of Pacific People such that they are unable to participate appropriately in their communities (Stuart et al, 2012). The reliance on short-term loans with excessively high interest rates is a significant contributor to household debt (Stuart et al, 2012; Thomsen et al, 2018). Having sufficient income to fulfil cultural contributions is very important, and not being able to do this is seen as shameful for individuals and the wider family. This shame serves as a barrier for people accessing the welfare system and contributes to engagement with predatory lenders who are seen as more approachable.

The economic reforms in the 1980s had a significant impact on the employment of Pacific People. In 1987, the Pacific population had the highest employment rate of any of the measured ethnic groups. Two decades later, their employment rate was lower than that of Māori and Pākehā (Fletcher, 2009; MSD, 2016).

The Pacific population is young, with almost half (46.1%) aged under 20, compared with 27.4% for the total population. This represents both an opportunity for the future and a challenge. Educational outcomes for Pacific People have improved (MSD, 2016). However, Pacific youth remain more likely than the population as a whole to have characteristics associated with disadvantage in the labour market (Rea & Callister, 2009).

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Young people entering the welfare system often have poor long-term outcomes

Individuals who experience significantly poor outcomes as young people (for example, state care or benefit receipt) tend to come from disadvantaged backgrounds and remain highly disadvantaged throughout their adult lives (Gluckman, 2011; Rea & Callister, 2009; Scarpetta et al, 2010). Our current welfare system contributes to perpetuating this cycle. In New Zealand, those most at risk of poor longer-term outcomes have low or no qualifications, left school early, received a benefit at a young age (16 or 17 years), have been (or are) a teenage parent, have a parent with a prison or community sentence and have been exposed to poverty and adversity in childhood. Māori and Pacific youth are more likely to have characteristics associated with disadvantage in the labour market (Rea & Callister, 2009).

The longer-term social and economic cost of a young person who does not successfully transition to work or further education can be large. A significant number of young people leave the labour market, or never really enter it, by moving onto a benefit. Clear evidence of the failure of the welfare and education systems is that the number of 15- to 24-year-olds not in employment, education or training (NEET) has remained the same since 2009, at around 75,000 (Johnson, 2016). In recent years, the focus has been on re-engaging young people in education and training, but the interventions have not addressed many of the underlying causes of youth unemployment.

Young people who are on benefit are at risk of long-term benefit receipt and, generally, poorer outcomes. Only a small number of young people go onto a benefit as a 16- or 17-year-old. These young people are currently provided a different service designed to support and mentor them to achieve better outcomes. The service is geared towards keeping them engaged in education and training.

Youth on benefit often have complex needs and trauma to cope with, and they require an unconditionally supportive and trusting environment to support them to achieve their potential. To be granted a benefit, youth often have to prove that their relationship with their parents has broken down, which in itself can be retraumatising. Services to young people must support a pathway to independence. Such services should not put a person who is in a 'youth coach' role into a quasi-parental role, controlling the young person's money and choices.

Young people who are on benefit are at risk of long-term benefit receipt and, generally, poorer outcomes.

Women are significantly affected by the welfare system

"Most women's lives have been touched in some way by the state's social security legislation, as they have given birth and raised children, become sick, disabled or unemployed, lost partners and reached old age" (Beaglehole, 1994).

As at December 2018, women had higher rates (compared with men) of main benefit receipt for the population aged 18 to 64 years (56.7% compared with 43.3% men). This can be mainly attributed to the number of female recipients of Sole Parent Support (91.5% or 54,778). The majority of families with children supported by main benefits are sole parent families. While the numbers are small, most (89.9%) Youth Payment and Young Parent Payment recipients are women. Proportionately more men receive Jobseeker Support (55% compared with 45% women) but a large number of women receive this benefit (60,382). Almost the same number of women as men receive SLP (46,733 men compared with 45,954 women).[23] Most people receiving SLP Carers are women.

Sole parent families face disproportionate levels of disadvantage (MSD, 2018a; Superu, 2018). Sole parenthood has been associated with poor child outcomes, but a causal relationship is not clear. Becoming a sole parent is common, with half of mothers experiencing it before the age of 50 (MSD, 2018a). The sole parent population in receipt of a benefit is diverse, reflecting the variety of pathways into sole parenthood (for example, becoming a teen parent, separation or divorce, death of a partner, imprisonment of a partner). Sole parenthood is also a situation that parents move in and out of, depending on life circumstances (Hutt, 2012 in MSD, 2018a).

When the system of main benefits was created it was based on an assumption that a woman's primary role was the care of children.

When the system of main benefits was created it was based on an assumption that a woman's primary role was the care of children. Over the past 20 years, like other OECD countries, New Zealand has introduced measures to move sole parents on benefit into work. Sole parents have increasingly been treated as workers first, rather than parents (Haux, 2012). However, the state's policies have been uneven and at times contradictory. The differing perceptions of the role of women as mothers can be seen in the way job search obligations for sole parents and partners of primary benefit recipients receiving welfare benefits have been applied and removed at various times over the past two decades.

23 MSD benefit fact sheets, December 2018 (https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/latest-quarterly-results/all-main-benefits.html).

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At present, aspects of the system do not support women's role as carers.

- There are penalties for having a subsequent child when on benefit. Work expectations are reset to their former level after one year for parents having a subsequent child while on benefit.
- Sole parents receiving a main benefit cannot currently receive child support payments.
- Section 70A of the Social Security Act 1964[24] requires that the rate of a sole parent's benefit be reduced for each dependent child for whom the person does not seek Child Support, subject to some exemptions.
- The expectation that sole parents should be working as well as parenting, just as many partnered women do, fails to recognise that sole parents often have no one to help carry the extra load of parenting, and it is difficult to find employment flexible enough to cater for children staying home sick and school holidays.
- Navigating the welfare system to get benefits and entitlements is difficult for many. The stress is compounded if they or their child have a health condition or a disability, live in substandard housing and lack childcare support (Ministry for Women, 2018; MSD, 2018a; WEAG, 2019l).

The consultation and previous research reveal that people often find it hard to distinguish where their relationship fits within confusing and intrusive system definitions (MSD, 2018a; WEAG, 2019a). Parents, often women, can find themselves in situations that are deemed 'relationship fraud'. In these situations, they are vulnerable to investigation, penalties, long-term debt and, in some cases, prosecution and imprisonment, with negative effects on the wellbeing of children (MSD, 2018a; St John et al, 2014).

People who have engaged with the justice system are at substantial risk of entering or re-entering the welfare system

Over the past 30 years, New Zealand has seen consistent increases in its prison population even while crime rates have fallen (Gluckman & Lambie, 2018). Māori and Pacific People are disproportionally affected. This has implications for the number of people coming into the welfare system. Equally, the failure of the welfare system to properly support children as they grow up contributes to the number of people going into the justice system.

New Zealand has an incarceration rate of 214 out of 100,000 people (June 2018). This makes it one of the highest incarceration rates in the world. If the data is disaggregated for ethnicity, the rate for

A welfare system that is not adequately responsive to this population may contribute to recidivism, perpetuating a criminogenic cycle.

24 Now covered by Section 192 of the Social Security Act 2018.

Māori is 717 per 100,000. Around 10,000 people are incarcerated at any one time, and the Department of Corrections manages 30,000 people on community-based sentences. Around 16,000 people are released from prison every year into the community (Department of Corrections, 2018).

The impact of the welfare system on these individuals is significant. Barriers to accessing benefits and critical support are documented. This population has significant difficulty securing sufficient income, secure and adequate housing, and good and appropriate employment. They are likely to have large amounts of formal and informal debt. A welfare system that is not adequately responsive to this population may contribute to recidivism, perpetuating a criminogenic cycle.

The effect of incarceration is not purely limited to the individual who is imprisoned. The impact on families and whānau can be devastating and also has implications for the welfare system. Having a parent who has received a community or custodial sentence is highly correlated with long-term benefit receipt.[25] A person with such a parent is four times more likely to receive a benefit for more than 5 years when they are aged 25–34 years than a person without (21% compared with 5%) (Ball et al, 2016).

People in rural or remote locations require different services and policies that meet their needs

People in remote and rural locations have different, and often overlooked, issues compared with others on benefit. Housing is generally cheaper in rural areas,[26] so the rate of Accommodation Supplement is lower, but cheaper housing is offset by higher costs for items like fuel and food, longer travel distances and poor internet or mobile coverage. The availability of some services can be restricted, for example, childcare and out of school programmes.

Without a rural population available for work, rural businesses are limited in their capacity for development. MSD's remote location policy discourages people from moving to rural areas, which may have the perverse effect of contracting the rural labour market further.

25 Other indicators include having a finding of abuse or neglect, having spent time in the care of child protection services, having spent most of their lifetime supported by benefits, and having a mother who has no formal education qualifications (Ball et al, 2016).

26 This is not always the case. The cost of housing in some rural locations is high (for example, Central Otago) and supply of rental accommodation can be limited.

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Employment and labour market support need revamping

New Zealand has high levels of labour market participation and low unemployment. The New Zealand labour market is highly flexible, with substantial movement between jobs and between industries. This enables many people who become unemployed to regain employment relatively quickly, with the result that New Zealand has a very low proportion of long-term unemployed. This does not mean there is no impact on people from loss of employment.

The economy creates and destroys a large number of jobs each year. In the year ending June 2016, on average, each quarter 142,400 jobs were created and 129,200 jobs were lost (MBIE & MSD, 2017). Since 2000, growth in the New Zealand labour force has been more than twice the OECD average, driven by much faster growth in the working-age population and a greater increase in labour force participation (Culling and Skilling, 2018).

Not everyone has benefited from a highly flexible labour market. Many commentators are concerned that precarious employment is increasing along with the incidence of working poverty, particularly among low-skilled households (Hodgetts et al, 2017; NZCTU, 2013; Wilson, 2014). One in 10 workers is in a temporary job (similar to the OECD average). Half of these workers say they would like permanent work. Job growth since 2000 has favoured high-skilled workers and relatively productive firms.

Skills are increasingly important to labour market participation in New Zealand as in other OECD countries. Most people transition successfully from the education and training system to employment, and low cost or free education and training support is available, especially for young people. Compared with other OECD countries, our workforce is, on average, highly skilled (MBIE & MSD, 2017). Levels of up-skilling and retraining by those already in work are among the highest in the OECD, and New Zealand has an extensive and subsidised further education system that caters for people at all levels, including those who need to gain the equivalent of school-level qualifications. This highlights the importance of an effective education and training system for all, and the risks to people who do not succeed in education and training (Cleland et al, 2016).

Educational achievement has been a strong predictor of future pathways. A significant proportion of those on working-age benefits have obtained no or few educational qualifications. Compared with other OECD countries, New Zealand has a large proportion of young people who leave school early and who do not achieve basic secondary school level qualifications (Agasisti et al, 2018). Youth, especially those without qualifications, are some of the most vulnerable to economic shocks. New Zealand is seen as having a high-quality, low-equity education system and the impact of that is felt most severely by Māori and Pacific youth (McKinley & Hoskins, 2013).

Youth, especially those without qualifications, are some of the most vulnerable to economic shocks.

Aspects of the New Zealand labour market are poor compared with other countries. Concerns have been raised about the level of wages especially among the low skilled. Wages are often linked to productivity, and New Zealand's productivity performance has been weak over many years (Conway, 2018). Lifting productivity has proven difficult. The issue may lie in the inability of some domestic firms to take advantage of new knowledge and productivity-enhancing technologies and a relatively low movement of capital resources from relatively unproductive firms to relatively productive firms. Skilled workers adopt innovations earlier and are associated with greater firm investment in knowledge-based assets, which is why skills are increasingly important in New Zealand. However, New Zealand has a high incidence of skills mismatch and, consistent with this, among the lowest returns to education in the OECD (Conway, 2018).

Skilled workers adopt innovations earlier and are associated with greater firm investment in knowledge-based assets, which is why skills are increasingly important in New Zealand. However, New Zealand has a high incidence of skills mismatch and, consistent with this, among the lowest returns to education in the OECD (Conway, 2018).

High-quality employment support and removing barriers to re-employment are required to address the skills mismatch and lift productivity and wages. Employment assistance through the welfare system is inadequate, and employment support has taken second place to administration of the complex income support system. Spending on active labour market programmes is very low by OECD standards and has been declining steadily for many years. Moreover, in recent years, the emphasis has been on general case management interventions ahead of training or retraining assistance or other forms of labour market programmes. Case management is important if it helps find a person the best possible job match, but many unemployed people need additional assistance to become more employable.

Over the long term, the nature of work will likely change substantially as a result of rapid technological change, globalisation, climate change and demographic change. In the most dramatic scenario, adverse impacts arising from such changes could include substantial displacement and structural unemployment, precarity[27] and income inequality. While these impacts are highly uncertain, some are more likely than others. For example, partial changes in job content are more likely to occur than the mass automation of jobs and consequent structural unemployment.

A welfare system suited to the labour market of the future, which supports productivity and wage growth, needs a substantially greater employment support function than the current system has.

27 The state of having insecure employment or income.

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Contracting models between the state and voluntary sector have helped create a stressed community sector

Community organisations, along with families and whānau, are necessary to provide the structures for communities to operate. Strong, capable, community-based, not-for-profit organisations provide the resources, facilities and people that give effect to a community vision. These organisations support people and their families and whānau when they need help, along with the infrastructure that allows communities to respond to their self-identified needs in the ways that best suit them.

Since the 1980s, individual and community support has been increasingly delivered by community organisations contracted by government departments. *"Contracts not only mediate relationships between the state and the community and voluntary sector; they determine the structure and outcomes of the relationships"* (Grey & Sedgwick, 2013: 5).

Many in the community and voluntary sector have expressed concerns about the contract environment, including:

- uncertainty about ongoing funding
- difficulties in maintaining independence while taking government contract funding
- restrictions on what services they can provide to whom, and how these will be provided (Grey & Sedgwick, 2013).

Feedback from community organisation representatives in our focus groups and at community forums showed those in community-based social services and social support organisations are highly stressed. This stress is caused by financial constraints, competitive operating contexts and the complexity and depth of community need. Community organisations consulted with said they were operating in highly competitive funding environments, with government funding usually allocated through market-based tendering models and philanthropic funding provided through competitive funding rounds. Contracts were often for short periods or were rolled over from year to year, giving no certainty of funding or ability to plan for the long term. Service providers noted some government funding had been frozen for up to 10 years and this was producing a difficult operating environment where cost savings had moved from being made through improved efficiency to a reduction in services.

Service providers noted some government funding had been frozen for up to 10 years.

Community organisation representatives reported that the community infrastructure, the ability of organisations to successfully work in a place-based, community-responsive manner, has been compromised. Funding levels and contracting arrangements leave little scope for community organisations to address community needs beyond what is specified in contracts. This type of 'added value' from community organisations was once common and was how these organisations deliberately contributed to community development. "This loss in contracting and funding saw the useful and productive practices of achieving both the government funded outcomes and community identified results diminishing and in some cases being lost" (Neilson et al, 2015: 4).

Many representatives of community organisations commented on the 'pilot' and 'trial' approaches used by funding agencies. These approaches consist of organisations being properly funded to implement highly effective local strategies. These strategies would result in the delivery of the required outcomes and make significant contributions to the participants' and the wider community's wellbeing. Unfortunately, even given this success, these initiatives did not go on to receive funding, were funded on only a year-by-year basis or were not rolled out on a wider regional or national basis. We also saw this when we visited service providers during the consultation process. Where such pilots and trials are instigated and evaluation demonstrates their worth, they should move from pilot status to programme status, receive appropriate length contracts and funding, and be implemented on a regional and national basis where appropriate.

Summary – fundamental change is needed

We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad hoc amendments or marginal changes.

The facts outlined in this chapter lead us to the clear and unequivocal conclusion that fundamental change is needed. We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad hoc amendments or marginal changes. Substantial changes and a fundamentally different societal approach to welfare are needed, if we are to address the inadequacy of existing payments and the complexities resulting from excessive reliance on tightly targeted supplementary and hardship assistance.

Similarly, we need to address the lack of adequate employment support that fails to meet the diverse needs of people using the system, the needs of the community sector, and the needs of those groups who are most negatively affected by the current system. Any efforts to improve the wellbeing of New Zealand children are likely to be compromised unless there is a substantial effort to make the welfare system fit for purpose.

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03 Listening to New Zealanders – what we heard

To deliver recommendations that are robust and rigorous enough to last the next 20 years, they must be based on the real experiences of those interacting with the system every day. We were particularly concerned to hear from people who work in or require support from the welfare system, whether due to disability, responsibility of caring for others, a health condition, job loss, low wages, high housing costs or similar. It was essential we heard what happens to shape people's lives and how we might make a positive difference in ways that benefit them, their families and whānau, and our communities.

We conducted an inclusive and consultative engagement process in which people could participate in ways that suited them. We provided as many options as possible for people to share their views and experiences. We heard from people through our a survey, submissions, community forums and hui. Feedback from all consultation channels is brought together in the background paper – 'Views on New Zealand's Welfare System' (WEAG 2019a) available from the Welfare Expert Advisory Group's website.

Our overwhelming impression from this consultation is of a system in crisis – people find it judgemental, punitive and severely under-resourced. People do not have enough to live on, the support to help people to independence is inconsistent and punitive, the most vulnerable are becoming further marginalised and disenfranchised, and those working in the system are often frustrated and disappointed that they can't do more.

Dignity and respect are missing. People want to see more compassion and empathy. They want those making decisions to understand their backgrounds, experiences and culture, current situation and constraints. They want access to toilets in Ministry of Social Development (MSD) offices, to be given enough time in appointments to explain their situation, and to proactively receive all the support they are entitled to.

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There were strong calls for a simple, responsive and fair system as well as a desire for people to be connected with in ways and at times that suited them and that fit in with obligations such as childcare and work.

It was particularly disheartening to hear from MSD staff who had taken on roles out of a desire to help people, but felt the system stymied this. Staff spoke of inadequate training, severe lack of resourcing, a disconnect with head office that meant unrealistic caseloads and meeting schedules and performance measures and frameworks that had little to do with actively helping those they are meant to be supporting.

There were many ideas and suggestions for changes and solutions that would lead to improvements in the system, including:

- an increase in benefit levels to ensure a reasonable standard of living for all New Zealanders
- a system that reflects Te Tiriti o Waitangi (Treaty of Waitangi)
- a dedicated case management system
- far greater cultural awareness
- withdrawal of stand-downs and sanctions
- changes to abatement thresholds and rates
- the provision of warm, dry and safe housing
- prioritising health and wellbeing.

The insights from the nearly 3,000 New Zealanders we have heard from are invaluable.

We heard from people who had interacted with the system in some way at some stage in their life and had a deep and profound knowledge of the system. Their stories were often harrowing, and we were shocked and saddened by the extent of the suffering and deprivation that is occurring.

This understanding of the reality in which people are living and working in the system has formed a solid basis for our report and informed our recommendations. We are extremely grateful to all the people who took the time to meet with us or let us know their views through the survey or submissions. We hope we have done their views justice in our deliberations.

The insights from the nearly **3,000** New Zealanders we have heard from are invaluable.

04 Reforming social security

Kia Piki Ake Te Mana Tangata

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Fundamentally, the social security system needs to be founded on the belief that most New Zealanders are willing to engage, participate, contribute and do their fair share for their communities. Social security needs to be designed with these people utmost in our minds.

In other words, having appropriate support will result in better outcomes than wielding a stick at every opportunity. Our combination of recommendations will, over time, restore trust in the system and in people, and shift us all towards realising that meaningful participation is desirable and rewarding for all.

While most people will follow the rules, in any system a small minority will commit fraud. These people should be dealt with accordingly, just as they are dealt with in other systems (such as the tax system). But designing the whole system based on this small minority has resulted in a system that is complex and costly to administer and has contributed to undermining trust between the Ministry of Social Development (MSD) and users.

This chapter sets out the foundation for a fundamentally different system of social security, one underpinned by a kaupapa Māori values framework that recognises and addresses the interests of all New Zealanders under Te Tiriti o Waitangi (the Treaty of Waitangi).

The Welfare Expert Advisory Group recommends:

- the Social Security Act be amended with a new purpose statement to reflect a holistic approach that places welfare in the context of wider wellbeing and with a new set of principles to guide the design and operation of the welfare system
- appropriate accountabilities be created for implementing the recommendations and a new set of performance measures that focus on key outcomes for MSD
- MSD's accountabilities and competencies be changed to improve outcomes for Māori.

> *"I think people that are on the benefit should not look, experience or feel different to anyone else in our country. I think people receiving benefits or welfare supports should be completely supported to thrive..."*
>
> **PAST WELFARE RECIPIENT**

The foundation

The overall direction of welfare reform has been to reduce financial and other support and to raise expectations and penalties, making an increasingly complex system. The important work of parenting children is undervalued. Reform has occurred in a context of reduced employment protection and a lack of commitment to full employment by government.[28]

Nevertheless, many promising initiatives are starting in areas such as employment support, improving the experience of those using the welfare system, and the amounts of some payments have increased. We also note that the welfare system does work well for many people, and consultation revealed that New Zealanders value the system, but it needs to improve.

New Zealand needs an approach to welfare that expresses New Zealanders' values and upholds the social contract between citizens who fund welfare through taxation and citizens who require assistance – an approach that makes all citizens proud.

That social contract needs to strike a fair balance between the support the state provides and the expectations on people receiving support. The system today is imbalanced, with the weight of expectations overshadowing the support provided.

We want people in marginal financial and social positions to regain their dignity and have every opportunity to thrive.

The future

Our advice on the future of the welfare system is guided by the vision outlined in our terms of reference (in Appendix B):

> **A welfare system that ensures people have an adequate income and standard of living, are treated with and can live in dignity and are able to participate meaningfully in their communities.**

We support this vision. The aspirations reflected here were voiced throughout our public consultation. A welfare system that fulfils this vision will provide opportunities to enrich the lives of the people receiving support and their families, whānau and communities. In this way, we will all benefit.

A successful welfare system should strengthen the mana (dignity, respect) of those who engage with it. This system must be strengths-based and recognise the human rights of people needing and receiving support.

Inequities experienced by Māori are longstanding and difficult to change. The approaches taken by different governments to social security and welfare policy have compounded this inequity. We consider that a system

28 For example, the adoption of a 'natural rate of unemployment' modelling framework by Treasury and the Reserve Bank.

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to address inequity requires chief executive-level accountability to iwi and Māori. These arrangements should be embedded in a revised Social Security Act. Similar requirements are in the Children, Young Persons and their Families (Oranga Tamariki) Legislation Act 2017.[29]

We describe our approach to reform of the welfare system as *Kia Piki Ake Te Mana Tangata*. Kia piki ake means to uplift, strengthen or raise up. Mana tangata refers to "the power and status accrued through one's leadership talents, human rights, mana of people". Therefore, kia piki ake te mana tangata is to uplift and strengthen the mana of the people. A related term is whakamana tāngata. This officially means "enhancing the authority and power of the people" but we are adopting the term to mean restoring dignity to people so they can participate meaningfully with their families and communities.

Values underpinning the new system

To underpin the design and operation of the new welfare system, we propose a kaupapa Māori framework that recognises and addresses Te Tiriti interests of all New Zealanders.

Our approach is consistent with the Tax Working Group's kaupapa Māori values model, He Ara Waiora (The Treasury, 2018) (McMeeking et al, 2019). The tax and welfare domains are closely related, both focusing on the (re)distribution of income and influencing labour market participation. They are two sides of a coin, with tax raising the revenue needed to fund the redistribution of income through welfare.

At the heart of our approach are six values with particular meanings in the welfare context. These values, explained in table 1, underpin all of our advice and recommendations.

29 Section 7AA of the Children, Young Persons and Their Families (Oranga Tamariki) Legislation Act 2017, and comes into force on 1 July 2019.

Table 1: Six values at the heart of Kia Piki Ake Te Mana Tangata Framework

Value	Meaning	Application in Kia Piki Ake Te Mana Tangata
Manaakitanga	Hospitality, kindness, generosity, support – the process of showing respect, generosity and care for others	People are treated with, and able to live in, dignity
Ōhanga	Economics, economic	Ensuring people have an adequate income and standard of living, including support to access long-term, healthy housing
Whanaungatanga	Relationship, kinship, sense of family connection – a relationship through shared experiences and working together that provides people with a sense of belonging Whanaungatanga develops as a result of kinship rights and expectations, which also serve to strengthen each member of the kin group. It also extends to others with whom one develops a close familial, friendship or reciprocal relationship	A system that values whānau, families, children and relationships
Kotahitanga	Unity, togetherness, solidarity, collective action	People are able to participate meaningfully in communities
Takatūtanga	(Takatū) to prepare, get ready (used only of people getting ready), make ready	A system that is fit for the present and prepared for the future, can respond to future ways of working and can support participation in the economy
Kaitiakitanga	Guardianship, stewardship, trusteeship, trustee	A system that is financially and politically sustainable across the medium to long term

Source: Meanings are from Te Aka Online Māori Dictionary (https://maoridictionary.co.nz)

This values framework should continue to be developed alongside other frameworks and involve further engagement with Māori. We recognise that our approach – Kia Piki Ake Te Mana Tangata – is valuable only to the extent that it materially improves outcomes for Māori in a practical and tangible way. If this framework is used during the implementation of this report's recommendations, tangible changes will occur.

MSD is developing its own kaupapa Māori strategy and action plan, Te Pae Tata, which applies kaupapa concepts in its relationships with its clients (MSD, 2018d). We took the 'takatūtanga' concept in our framework from MSD's framework. We commend the Ministry for its start in this work. If properly implemented and deeply ingrained in the culture of the organisation, MSD's new strategy will bear positive results.

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Kia Piki Ake Te Mana Tangata

Welfare and wellbeing – purpose of the welfare system

We propose a holistic approach that places welfare in a wider wellbeing context and that recognises mutual responsibilities on the state and on people receiving welfare support.

No consensus exists on the definition of wellbeing but it is usually considered a multidimensional concept. In its broadest sense, wellbeing encompasses physical, mental and social domains. There is no sole determinant of individual or family/whānau wellbeing. In general, wellbeing is dependent on good health, positive social relationships, and access to basic resources such as shelter, belonging and income.

The welfare system fulfils a particular purpose in supporting the wellbeing of New Zealanders. The most critical elements are to replace or supplement incomes when they are insufficient to enable an adequate standard of living, and to support participation, especially through paid employment, but also in other ways, including parenting or caring for others.

The purpose of the welfare system is to support wellbeing by:

- providing social and financial security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work, and ensuring a dignified life for people for whom these options are not possible.

Our mandate was to advise on an updated purpose for the welfare system to inform an updated Social Security Act. The Act provides the legislative basis for welfare policy and the operation of the welfare system.

Our proposed purpose is consistent with the original intentions of the welfare state, as expressed in the Social Security Act 1938. These intentions were to provide benefits that "safeguard the People of New Zealand…[and to] maintain and promote the Health and General welfare of the Community".

Our recommended purpose underpins the wider body of recommendations in this report. It requires a significant shift from the purpose of the current Act, which focuses heavily on the welfare system's role in encouraging paid work, to the exclusion of the system's core role of ensuring adequate incomes. The extent of change means the current Act will need to be substantially amended.

EMBARGOED until 3 May 2019, 2pm

Core principles

Legislative amendments are also needed to the principles in the Act that guide the design and operation of the welfare system.

The principles of the current legislation focus excessively on encouraging people into paid work, with little regard for the suitability of that work for their wellbeing or for alternative forms of participation. There is scant reference to the welfare system's fundamental role in ensuring adequate incomes.

Our six values underpin the principles that should guide the design and operation of the welfare system.

- Be person-centred and wellbeing focused.
- Keep children paramount.
- Value whānau and families.
- Treat people with dignity, respect and compassion.
- Provide an income sufficient for an adequate standard of living.
- Provide full and correct entitlements.
- Deliver support that is easy to access, timely and appropriate.
- Provide an employment service that supports people into good and appropriate work.
- Support the provision of housing that is affordable, secure, of good quality and appropriate for the person (and their family or whānau).
- Promote mutual expectations.
- Aim for equitable outcomes.
- Build and maintain effective links with other parts of government.
- Be sustainable.

Responsibility for implementing recommendations

The changes to the welfare system we recommend will, when fully implemented, realise the vision set out in our terms of reference. The bulk of the responsibility for implementing these changes sits with MSD, but the interactions between the welfare system and other systems (labour market, housing, education and health) mean this vision will not be achieved without considerable cross-agency effort.

For this reason, the Welfare Expert Advisory Group recommends:

- the Chief Executive of MSD designs and implements a welfare system that fulfils the purpose and principles of the amended Social Security Act
- a cross-ministerial approach be taken to implement and monitor the effectiveness of the implementation and outcomes of the recommendations in this report (across welfare, health, housing, justice, education and employment).

The changes to the welfare system we recommend will, when fully implemented, realise the vision set out in our terms of reference.

In both the cases, the approach should be consistent with Te Tiriti responsibilities and involve the users of the welfare system. A governance group could include non-governmental organisations, employers, unions, beneficiary advocates, iwi and Māori as well as people directly affected by the system.

Performance measures focused on key outcomes

MSD's performance measures should reflect the key outcomes that it is trying to achieve – providing adequate incomes and support for participation (particularly through employment) – and should be consistent with the new purpose, principles and values.

Current performance measures in MSD's Statement of Intent focus on off-benefit outcomes, such as time off a main benefit and average future years on a main benefit (MSD, 2018c). MSD's key outcomes do not directly relate to the numbers (or time) that people spend receiving a main benefit (though this may be useful information for other purposes such as fiscal forecasts). This focus on numbers of people on benefit, rather than on positive outcomes for people (both while they receive a benefit and when they cease to), underpins a negative view of benefit recipients as purely fiscal costs rather than as people to invest in to improve their wellbeing and support to meaningfully participate in their communities.

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The Welfare Expert Advisory Group recommends that MSD and Inland Revenue publish annual information, reflecting the core outcomes the social security system is tasked with achieving, including:

- full and correct entitlement of payments
- take-up rates of payments within the eligible population
- employment outcomes of benefit recipients
- impact of employment supports
- incomes (after tax and abatement) of people receiving financial support.

Each of these outcomes should, where possible, be broken down by ethnicity, gender, location, benefit type, health conditions and disabilities, and number and age of dependent children (aged 0–17).

These outcomes should be included, as appropriate, in each agency's Statement of Intent and Annual Report. Further details could be published in a standalone report.

Improving outcomes for Māori

Earlier, we outlined how the welfare system has failed to deliver for Māori. Changes to MSD's accountabilities and competencies are required to improve outcomes for Māori.

The Welfare Expert Advisory Group recommends:

- that MSD embeds the competencies needed for achieving greater equity for Māori, by including them in job descriptions, key performance indicators and performance reviews for staff of MSD
- the Social Security Act be rewritten to incorporate specific responsibilities for the Chief Executive of MSD to be accountable to iwi and Māori for the achievement of equitable wellbeing outcomes for Māori from the welfare system.

The reporting on key outcomes by ethnicity, recommended above, will provide a basis for this accountability. The next chapter includes further recommendations for improving outcomes for Māori.

Better serving the needs of Pacific People

Reflecting the values of Pacific People in MSD's policies and services would better serve the needs of Pacific People. "Pacific communities want approaches tailored to Pacific values and aspirations – one that recognises communities themselves can drive their own innovative solutions" (Ministry for Pacific Peoples, 2018). The four values that need to be acknowledged are family, collectivism and communitarianism, reciprocity and respect (Ministry for Pacific Peoples, 2017: 12).

- **Family:** Pacific peoples live in extended families. The family is the centre of the community and way of life. Every person belongs to a family, aiga and kainga, and every family belongs to a person. This brings identity and belonging. Ancestry and a sense of place involve a kinship with what and who has gone before. [There is a need for a people-centred, family-centred system. There is a need to develop housing solutions that work for how Pacific People live.]

- **Collectivism and communitarianism:** Most Pacific peoples are communal people. Their way of viewing the world and doing things is mostly driven by what is commonly perceived as acceptable to the community. This includes teamwork, consultation and co-operation, with all members striving to work together to achieve common goals through a consensual approach.
- **Reciprocity:** Acknowledging the value of relationships and obligations of care between individuals and groups interacting for a shared purpose. Mutual help and interdependence are viewed as more effective than individualism.
- **Respect:** Pacific peoples learn from an early age to show respect when relating to one another. This is an expected behaviour, including respect towards elders, parents, women, children and people in positions of authority. Respect includes keeping face, acknowledging someone's status and observing proper etiquette.

MSD needs to accelerate its commitment to cultural responsiveness to Pacific People. This includes an awareness of cultural obligations experienced by Pacific People around contribution for weddings, funerals and other critical cultural events. Additional support in the welfare system is also needed to provide appropriate resources to achieve equitable outcomes for Pacific People. The Ministry also needs to appreciate that, in interacting with MSD, individual Pacific People may feel a strong sense of shame for the reasons listed earlier in chapter 2.

There is no one-size-fits-all approach to Pacific People, and providers of supports and services (including MSD) need to be aware of diversity amongst Pacific People. Significant diversity in the Pacific community will impact on service delivery. Pacific People are multilingual, multi-generational, represent many ethnic-specific interests, and hold various skills. The Pacific population is relatively youthful, with a mix of island-born and New Zealand-born members living within a dynamic and changing cultural landscape. Cultural obligations, cultural identity and ties to the Pacific Islands remain essential aspects of Pacific life. However, there are significant differences between different ethnic groups and within these groups. For example, young people's responses to their culture vary enormously.

Government can build on the strengths in Pacific communities (Integrity Professionals, 2018).

- Pacific People make a significant contribution to the New Zealand economy. More could be done to enhance this contribution by improving Pacific People's participation in the labour market. In this respect, the Pacific youth population is a strength that needs to be supported and nurtured.
- Pacific People make a significant contribution through volunteering in the community, which needs to be valued.
- Churches are an important part of many Pacific families' lives,[30] and an opportunity exists for government and other agencies to establish meaningful partnerships with churches to help deliver programmes and initiatives to Pacific communities (Ministry for Pacific Peoples, 2018).

MSD needs to accelerate its commitment to cultural responsiveness to Pacific People.

30 More than 80% of Pacific People identify as belonging to a religion. Although many young Pacific People do not have such strong ties to churches.

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Recommendations – key

Our recommendations embed a new basis for social security, to restore trust in the system, enable whakamana tāngata so people can live in dignity, strengthen the application of kaupapa Māori, and will lift outcomes for Māori.

The Welfare Expert Advisory Group recommends the following.

Recommendation 1: Amend the Social Security Act 2018 to state that anyone exercising power under the Act have regard to the following purpose and values.

The purpose of the welfare system is to whakamana tāngata and ensure a dignified life by:

- providing financial security and social security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work.

The welfare system is underpinned by Kia Piki Ake Te Mana Tangata, including kaupapa Māori values of:

- manaakitanga – caring with dignity and respect
- ōhanga – economics
- whanaungatanga – treasuring kinship ties and relationships
- kotahitanga – unity
- takatūtanga – preparedness
- kaitiakitanga – guardianship.

Recommendation 2: Use the following principles to guide the design and operation of the welfare system.

- Be person-centred and wellbeing focused.
- Keep children paramount.
- Value whānau and families.
- Treat people with dignity, respect and compassion.
- Provide an income sufficient for an adequate standard of living.
- Provide full and correct entitlements.
- Deliver support that is easy to access, timely and appropriate.
- Provide an employment service that supports people into good and appropriate work.
- Support the provision of housing that is affordable, secure, of good quality and appropriate for the person (and their family or whānau).
- Promote mutual expectations.
- Aim for equitable outcomes.
- Build and maintain effective links with other parts of government.
- Be sustainable.

Recommendation 3: Establish a cross-ministerial approach to implement and monitor the effectiveness of the implementation and impact on outcomes of the Welfare Expert Advisory Group's recommendations (across welfare, health, housing, justice, education and employment) that is cognisant of responsibilities under Te Tiriti o Waitangi (the Treaty of Waitangi) and involves users of the welfare system.

Recommendation 4: Direct the Chief Executive of the Ministry of Social Development to design and implement a welfare system that will fulfil the new purpose and principles of the amended Social Security Act, is cognisant of responsibilities under Te Tiriti o Waitangi and involves users of the system.

Recommendation 5: Direct the Ministry of Social Development and Inland Revenue to publish yearly, whether as part of their Annual Reports or Statements of Intent, or as a standalone report, information on key outcomes for those interacting with the welfare system, including information about full and correct entitlements, take-up rates of payments, employment outcomes, the impact of employment supports and services, and after-tax and abatement earnings.

Measures should include:

- full and correct entitlement for all who are eligible by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- take-up rates of payments by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- employment outcomes by benefit type, ethnicity, gender, location, health conditions and disabilities, age, and duration off benefit (3, 6 and 12 months)
- impact of employment supports and services on outcomes by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- after-tax and abatement earnings for those receiving financial support from Inland Revenue or the Ministry of Social Development by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years).

Recommendation 6: Embed the competencies required to achieve greater equity for Māori in the job descriptions, key performance indicators and performance reviews of the Ministry of Social Development's management and staff.

Recommendation 7: Include in the amended Social Security Act specific requirements for the Chief Executive of the Ministry of Social Development to be accountable to iwi (as recognised collectives) and to Māori (as individuals, whānau and communities) for achieving equitable wellbeing outcomes for Māori from the welfare system.

Recommendation 8: Direct the Ministry of Social Development to commit to building its cultural responsiveness to Pacific People, to achieve equitable outcomes for Pacific People engaging with the welfare system. Cultural responsiveness includes having an awareness of cultural obligations experienced by Pacific People around contributions for weddings, funerals and other critical cultural events and taking account of the nuances within diverse Pacific communities.

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05 **Delivering for Māori**

The impacts of colonisation on tāngata whenua, and the subsequent loss of assets and an economic base, have been well recorded.[31] In the long run, this has contributed to over 50% of Māori children growing up in households receiving a main benefit. This was not just about Māori being economically disenfranchised but also the impact of erosion of culture and the experience of racism that fuelled a reliance on the low levels of main benefits to survive. Bias in services was a point made in the 1986 report *Puao-Te-Ata-Tu* from the Ministerial Advisory Committee on a Māori Perspective for the then Department of Social Welfare and continued to be made to us in our consultation.

> *"The welfare system is belittling of the mana and integrity of our people – kuia, kaumātua, matua, tamariki, mokopuna."*
>
> **PROVIDER FORUM, KAITAIA**

While social security cannot fix these long-term patterns, their impacts can be ameliorated with adequate welfare support and mana in how people are treated. This is guaranteed under Article 2 of Te Tiriti o Waitangi (Treaty of Waitangi).

We heard how the Ministry of Social Development (MSD) is looking at its future role, including a focus on mana manaaki – to build the mana of others and uplift them in a way that honours their dignity. We support this approach.

The introduction of Whānau Ora responded to the need for a way to provide support that recognised and built on the strengths and assets of whānau to encourage whānau development (Boulton et al, 2014; Te Puni Kōkiri, 2018). There was concern that health and social services often intervene after matters go wrong for an individual, rather than intervening to restore full whānau functioning or extend whānau capabilities. It arose due to concerns that contracting practices had led to many Māori providers competing for contracts, which fostered a piecemeal approach to services and inhibited collaboration and coordination. In 2009, the then Minister for the Community and Voluntary Sector secured Cabinet's agreement to set up a taskforce to address these concerns. The New Zealand Productivity Commission (2015: 20) concluded that steps could be taken to strengthen Whānau Ora and that it "embodies concepts important to Māori and holds much potential to improve Māori wellbeing and mana whakahaere [the power to manage; authority]".

31 See a summary in Expert Advisory Group on Solutions to Child Poverty (2012b).

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Māori expressed a strong desire to be in the driving seat of their own solutions to the endemic problems that erode mana and whānau. However, social security remains an obligation on the state. Baker (2010: 12) argues there "is a greater maturity and a desire for integrated solutions. From this platform both Treaty partners are increasingly forming governance to governance partnerships to address crucial issues". She adds the "landscape allows room for Māori entrepreneurship and self-governance/self-determination to grow further, and develop in a way that can only benefit New Zealand as a whole".

While there is some improvement, social indicators continue to demonstrate an underdevelopment of Māori potential, with disparities in the numbers on benefit, with those presenting with health conditions or disabilities, and the need for housing and employment. If the welfare system is to deliver greater wellbeing for New Zealand, it needs to be able to deliver for Māori.

Māori expressed a strong desire to be in the driving seat of their own solutions to the endemic problems that erode mana and whānau.

This is especially important for young Māori. Māori, along with Pacific People, make up a relatively young and fast-growing share of the New Zealand working-age population. However, they have poor labour market outcomes, in part, because, on average, Māori have lower educational attainment and are over-represented in lower-skilled industries and occupations that are typically more adversely affected in an economic downturn.[32] Growing up in a jobless household is a major contributor to poor outcomes for children. While there have been some improvements, such as an increase in students staying at school until Year 13 and going onto tertiary study, the educational system continues to fail Māori. This happens within a context of New Zealand producing high levels of educational achievement overall.

Changes are needed to improve outcomes for Māori

The Whānau Ora approach demonstrates Māori capability and potential can be activated by strength-based approaches. The need is critical for more long-term support for whānau-centred,[33] strengths-based initiatives from within the whānau rather than crisis-driven, short-term interventions from the outside (Baker, 2010). Hapū, iwi and the state need a joined-up, evidence-based strategy informed by the reality of the lives of whānau. Whānau Ora was an innovative intersectoral policy intended to empower whānau and move resources closer to them and away from formal institutions. This can be further developed and

32 Māori were among the highest employed population in the 1950s, 1960s and into the 1970s. Māori unemployment increased following significant changes to the labour market in areas such as manufacturing, forestry, railways and the post office.

33 "'Whānau' is not interchangeable with the term 'family'" (Baker, 2010: 101). Operationalising the concept of whānau is a challenge for government.

extended. Ample opportunity exists for a more cohesive approach by the state and iwi to whakamana tāngata for the most impoverished Māori and to encourage a whakamana tāngata approach based on potential.

> *"The current system fails Māori both through inadequate levels of assistance and an individualised approach to accessing support that is more likely to exclude Māori."*
>
> **NEW ZEALAND COUNCIL OF CHRISTIAN SOCIAL SERVICES**

Addressing immediate needs, including financial issues, on-job training, innovative education and active labour market interventions are all possible contributions to this approach. We are not advocating a 'work for the dole' scheme. The aim is for decent, well-paid jobs, education and training opportunities to continue to build the skills of employees. The relatively low number of Māori employed in high-skilled jobs could be addressed through policies that provide a practical commitment to achieving equitable outcomes. These policies could be supported by an appropriately skilled employment service that can recognise the intra-variability of Māori. This employment service would provide a variety of opportunities: from enhancing access to high-level academic and modern technologies qualifications to supporting iwi, hapū, marae and Māori communities to offer innovative whānau-based employment schemes and systems to support intergenerational change.

The Expert Advisory Group on Solutions to Child Poverty (2012b: para 67) stated that "significance of the demographic importance of Māori needs to be underscored". Māori and the nation would benefit from improvements in Māori school and post-school education outcomes. In terms of post-school education and training, the group recommended "a specific work creation strategy for Māori youth" (para 67). Demographic dividends are there to be had. Attention needs to be paid to supporting young Māori as they transition from school to further education, training or work. "Ensuring that there is good training in place (and jobs to go into) is important" (para 67).

Mainstream government work programmes must be responsive to Māori as per Article 3 of Te Tiriti. Several researchers have argued that the success of policies and programmes must be sourced in or informed by Te Ao Māori – the Māori world (Belgrave, 2012; New Zealand Productivity Commission, 2015; Superu, 2017; Welfare Justice, 2010). This is not a new suggestion. The 1988 Royal Commission on Social Policy called out the principle of recognising the different perspectives of different cultures (at p 735):

> The income maintenance and taxation systems should recognise the different perspectives of those from different cultures, not only in relation to the administrative processes involved in assessing eligibility for income maintenance and in the delivery of entitlement, but also in relation to the principles on which those systems are based.

A Māori perspective is required not only in the regional service centres of MSD, where people in need are seeking help, but also in the back offices, national office and governance positions guiding the

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In the context of Te Tiriti, it is important that hapū, iwi and Māori have a significant role in providing governance to and in the monitoring of the social security system.

development of the policy and operations of the welfare system. This is not in terms of creating special programmes for Māori, although this may be required, but recognises the need for mainstream, day-to-day service delivery of the welfare system to address the needs of Māori. Universal services need to work for all but this does not mean one size fits all.

This approach means engaging with Māori in meaningful partnerships in design, delivery and evaluation of social services to Māori, including mainstream services. It means the funding of services to Māori needs to be sufficient to achieve outcomes for, and with, Māori.

Such a response requires Māori participation at all levels – governance and front line. In the context of Te Tiriti, it is important that hapū, iwi and Māori have a significant role in providing governance to and in the monitoring of the social security system. We recommend a variety of changes, to ensure Māori have a significant influence on the system at this level. By putting these systems in place, a long-term strategic approach to gaining equity for Māori in the implementation of the social security system can be enacted.

Devolution of service delivery to Māori must be part of the mix. It gives an expression of Te Tiriti and is something that came through clearly in our consultation hui with Māori. There are past and current examples of the devolution of responsibility for service delivery to Māori.[34] There are questions about how the state should best devolve responsibility to Māori and how that responsibility would develop in the face of or in conjunction with the existing benefit system (New Zealand Productivity Commission, 2015; Stephens, 2015).

> *"There is a need to embed the principles of the Treaty of Waitangi much more deeply – less about a safety net, more about self-determination and wellbeing frameworks for Māori."*
>
> **WELLINGTON ROUNDTABLE**

34 Current examples are Te Hiku O Te Ika – Crown Social Development and Wellbeing Accord (see Te Hiku Development Trust, 2014: 17) and Ngāi Tūhoe Service Management Plan (Social Service Taskforce, 2012).

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Recommendations – key

Recommendation 9: The Welfare Expert Advisory Group recommends, in addition to the recommendations elsewhere that will improve outcomes for Māori, the Government:

- supports the Ministry of Social Development to continue to shift towards whakamana tāngata – to build the mana of others and uplift them in a way that honours their dignity
- supports the Ministry of Social Development to continue to review and evaluate, with Māori, the services the Ministry delivers to ensure they are effective in improving outcomes for Māori
- works with Māori to consider other effective ways of delivering welfare services and funding that are informed by Te Ao Māori, including longer-term, whānau-centred, strengths-based initiatives.

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06 Restoring trust with people using the welfare system

For the welfare system to work effectively to deliver the purpose, principles and values recommended in this report, a mutual trust between all parties is essential. Ministry of Social Development (MSD) staff who engage with people provide a relationship-based service and, to do their job well, need to be trusted by those they serve. This trust needs to be built on providing recipients with the right support and services when they need them.

As mentioned earlier, inadequate payments that mean people require financial assistance to meet basic living costs, such as food and housing, increase stress and undermine benefit recipients' trust in MSD (MSD 2019i). Some people avoid seeking assistance from MSD because they do not see it as an organisation that can help (WEAG 2019a). The system at its heart disempowers those it is set up to serve, by not providing enough time or private space for staff to hear people's stories, by being overly complex so it is difficult to access full entitlements and processing delays are common, by having stand-downs, sanctions, and unnecessary obligations, and through the inconsistent application of policies and discretion (Cotterell et al., 2017; MSD 2019i).

> *"It would help to care, to put people first. I reckon, a lot of the people who are beneficiaries, are people who have been abused. They're adults, who were abused as children, who have grown up, and have gone on to be abusive, or lead abusive lives, and have raised children in an abusive environment. It's a cycle, of abuse, but I do think it's possible to break the chains, and it would be good if the government realised, the breakdown of people, has been from a breakdown in life, and that's caused all sorts of social damage. If we could fix and repair the damage, we can begin to rebuild our communities."*
>
> **SOLE PARENT**

How the Ministry of Social Development can work to restore trust

Embed the proposed purpose, principles and values within policy and system development

Work is under way in MSD to ensure benefit recipients are treated with respect and dignity in all their interactions with the system. MSD has introduced a new strategic direction (Te Pae Tawhiti), initiated a client commitment charter and begun a programme to refurbish offices to create a secure environment for staff and service users while creating a more welcoming space.

MSD is also in the process of changing its approach to systems and organisation design to improve performance and service user experience. An example of this is the Better Every Day[35] initiative, which is changing management thinking to focus on the service user's experience and what is needed to achieve positive outcomes. However, for real change to be effective and sustained, the legislative and value settings, policy and system development, and outcomes being sought

35 An MSD work programme based on the purpose measures method (https://vanguard-method.net/thinking-things/counter-intuitive-truths/purpose-measures-method).

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must be aligned. For this reason, we recommend that, following the adoption of our proposed purpose, principles and values, MSD embeds these into its policy and system development.

Require mutuality of expectations and responsibilities

Whakamana tāngata is a new approach based on mutual expectations and responsibilities. It is strongly connected to improving wellbeing by focusing on supporting positive long-term outcomes for a person, including increasing their skills and the labour market capacity of them and their family or whānau.

The current obligations and sanctions regime must be immediately reformed into a system of mutual expectations and responsibilities that are applied according to the circumstances of the individual. They must be applied in a way that meets the values of the system, with robust checks and balances to mitigate potential negative impacts on individuals and their families and whānau. The overarching expectation of welfare recipients and MSD is to act with respect and integrity in their mutual interactions.

> *"We don't get given the time to 'care'. Conversations are so limited. Get them in, get them out – we don't have time to do what we know we should."*
>
> **WORK AND INCOME STAFF FORUM**

Expectations of the Ministry of Social Development to govern interactions with benefit recipients

MSD should be held to the following expectations.

- MSD recognises that, without adequate financial support, people move further away from a connection to the labour market, and inadequate income is likely to increase the length of time a person or their family and whānau will receive benefit income.
- People are listened to and their circumstances, culture, skills and barriers are understood and taken into consideration in the service they are provided.
- People are made aware of all the assistance that may be available to them, are given clear information about the qualifying criteria and how to apply for assistance, and are granted assistance in a timely manner, as soon as practicable after making the representation for help.
- People are given any assistance they need to access opportunities (such as assistance for travel to work or job interviews).
- The right people are sent to the right jobs (that is, they are sent to jobs for which they have relevant skills and experience).
- People are supported when in part-time or casual work, and efficient systems are in place so people can easily report their income and receive their full and correct entitlement.
- People are advised of the purpose of any appointment with MSD and are given reasonable notice of the time of this appointment.
- People are able to make representation and application through whichever service channel works best for them.
- Stakeholders are consulted and advised about services that may affect their population.

Expectations of benefit recipients

In reciprocation, people in receipt of benefit should be expected to:

- look for, and accept, suitable employment and other opportunities when they arise, with consideration being given to the suitability of the employment, the person's caring responsibilities and health or disability barriers, and any other restrictions on work capacity for a:
  - part-time expectation for people whose youngest dependent child is aged 6 years or older
  - full-time expectation for people without caring responsibilities and whose youngest child is aged 14 years or older
- attend and participate in appointments with MSD
- give full and correct information about their circumstances, and advise MSD promptly when these circumstances change
- seek ways to participate in their community through earning, learning, caring or volunteering, where this is appropriate and fits with their skills and aspirations
- engage with services that help them in their earning, learning, caring and volunteering aspirations.

Within the welfare system, there is currently a mandatory requirement to seek part-time work when a parent's youngest child is 3 years old. In New Zealand, it is common for parents to return to at least part-time work when their children are young, where there is appropriate and affordable support in place to do so. Where it fits with their individual circumstances, the welfare system should support but not expect the parents of young children to take up paid work. Not everyone will be in a position to do work while their children are young. Once children are at settled at school, a part-time work expectation is reasonable. We propose having a part-time expectation for those whose youngest dependent child is 6 years or older. However, it is important that MSD take account of individual circumstances (for example, children with health conditions or disabilities) (MSD 2019h).

Parenting teenagers can be challenging, especially for sole parents. Adolescence is a time when many young people engage in risky behaviours. It also a time when mental health can deteriorate. New Zealand's suicide rate for young people is among the worst in the OECD (Gluckman, 2011; Government Inquiry into Mental Health and Addiction, 2018). While we support the full-time work expectation for sole parents with a youngest child aged 14 years or older, it is important that MSD adopts an approach to the application of the work expectations that takes account of the individual circumstances of sole parents.

We do not support the continued use of a financial sanctioning regime. If the Government considers financial sanctions are necessary, people should lose no more than 10% of income. In a few situations, people with payments reduced by up to 10% may still not be willing or able to meet reasonable expectations. In these cases, it may be necessary, after exhaustive consideration of the reasons the person is not meeting

> *"In my experience of working alongside a number of people who are welfare recipients I would say that the experience of going to WINZ is quite an ordeal for people. They feel like they are treated as 'criminals', like they are guilty until proven innocent, and there is no openness to describing their situation and explaining the issues inherent in their position."*
>
> **FRIEND OR FAMILY MEMBER OF WELFARE RECIPIENT**

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their reasonable expectations, to cancel this person's assistance. Where there are dependent children, it would be inappropriate to cancel assistance, and we would expect MSD to continue to work with such families to facilitate meeting the expectations associated with receiving MSD assistance.

Use case management to support a positive client experience

In New Zealand, case management is the intervention most commonly offered to people receiving a benefit. Case management is a relationship-based service and the mainstay of service delivery across welfare and health sectors in many countries.

The basic functions within any case management model are assessment of client needs, development of a comprehensive service plan, arranging for services to be delivered, evaluating and following up, and advocating for service improvements. However, 'case management' means different things to different people and no consensus exists about its components and appropriate application[36] (Butler et al, 2012). Despite this lack of consensus, there is general support for case management approaches.

Studies show that positive relationships in the context of welfare service provision are associated with increased levels of client engagement and satisfaction with the way the service was delivered, as reported by clients (Gladstone et al, 2012; Hasluck & Green, 2007; Mandlik et al, 2014). UK research indicates that clients generally support the case management approach in which personal support and advice is given with appropriate services to meet their needs. Friendly, experienced staff, a welcoming setting and a sense of shared purpose are not just desirable, somewhat cosmetic features of service but may be essential elements in the effectiveness or otherwise of provision (Hanson et al, 2006; Hasluck & Green, 2007; Mandlik et al, 2014).

There is no one-size-fits-all approach to case management. Case management interventions need to be modified and extended for the more complex needs of those workers further from the labour market (Hasluck & Green, 2007). Hasluck and Green add that, for the most disadvantaged jobseekers, the research suggests "the circumstances

> *"...main area of concern is the conditional nature of support and difficulty obtaining it. This includes the many and onerous obligations of recipients, the complexity of requirements, the lengthy waits and difficulty in communication, the frequent threat of withdrawal of support and frequently unhelpful or frankly demeaning attitude of staff."*
>
> **NGO EMPLOYEE**

36 There are several different models of case management. For example:

- the 'broker model' – it does not involve any direct provision of service. It is purely information and referral only.
- the 'generalist case manager' who provides coordination of services as well as direct service functions such as advocacy, casework and development of support systems.
- the 'primary therapist as a case manager' – this focuses primarily on the therapeutic relationship with the client and supplements this intervention with traditional case management functions (Hanson et al, 2006).

and context of engagement between [case manager and client, are] as (if not more) important than the specificities of types of provision" (2007:138). Lower caseloads appear more likely to be effective,[37] especially for those with complex needs.[38]

Barriers to building trusting relationships between clients and case managers include:

- case managers' disregarding or being seen to disregard the client's values and knowledge of their own circumstances (Mandlik et al, 2014; Warr et al, 2017)
- clients being placed in programmes in which they cannot perceive value (or the link to the overall goal) (Altman, 2008; Damiani-Taraba et al, 2017)
- case managers using or being perceived to use coercive techniques to elicit client compliance (Altman, 2008; Kimel, 2007)
- service provider processes overriding the addressing of client's needs (for example, case managers not having enough time to talk with people, or performance targets that prioritise efficiency over relationship building) (Mandlik et al, 2014)
- poor communication
- wider structural barriers to the delivery of what the client needs (for example, lack of access to technology or poor service coverage) (Warr et al, 2017).

In New Zealand, working age benefit recipients are streamed into different types of case management, depending on their risk of staying on benefit long-term and their amenability to moving into work. Work-obligated benefit recipients with the highest risk of long-term benefit dependency receive more intensive case management services. Those streamed into intensive case management services receive one-to-one engagement with an assigned case manager to help them move into work. Benefit recipients with no or deferred work obligations are streamed into general case management – a service that involves only the maintenance of income support payments. This latter group makes up the majority of benefit recipients (for example, most people receiving a benefit for a health condition or disability and most sole parents with very young children). They would benefit greatly from the dedication and continuity of individual case management.

37 A German pilot of lower caseloads found robust evidence on the utility of reduced caseloads as an effective and efficient strategy for public employment services but cautioned that it was unclear what would happen if all sites reduced caseloads (Hainmueller et al, 2015).

38 With Individual Placement and Support – an integrated employment and health intervention aimed people with severe mental illness – very low caseloads are an important component of its success (Bond & Drake, 2014; Modini et al, 2016; Waghorn et al, 2014).

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Through our consultation process, we heard from service users and case managers that it is especially hard for people with complex or long-term issues to establish a trusting relationship with MSD without a dedicated case manager. The lack of an assigned case manager creates stress for both parties and results in a poor and uncoordinated service. Recipients often have to repeat their story multiple times – a situation that is, at best, frustrating and, at worst, traumatic. Many staff consulted with were equally discouraged by the current case management system – not having the time to listen and understand a person's full story made it more difficult for staff to provide people with the appropriate support. We acknowledge that not everyone will need or want an assigned case manager.

Resource front-facing services sufficiently to achieve positive outcomes

For people interacting with MSD to achieve positive outcomes (including having a trusting relationship with staff), sufficiently resourced front-facing services are an important prerequisite. This includes staff with sufficient capacity and capability, the appropriate systems to support staff to achieve outcomes, tools and interventions, and enough time to undertake what is required.

People we consulted with, including staff, welfare recipients and service providers, reported that MSD has a severely under-resourced workforce that is not allocated the time needed to work with people to understand and support them to achieve their goals and develop their potential. We also heard about a lack of the requisite skills and systems training for staff. Staff spoke about wanting more time with clients, much more training and more staff to do their jobs well.

Many public services are delivered via digital platforms but not everyone can use them. The move toward a more digital platform of service delivery came up often during consultation. While many supported new developments, such as MyMSD, we also received feedback that a significant group was unable or struggled to use this platform (because they, for example, lacked internet access living in rural areas without coverage, could not afford access or lacked technical knowledge to use the internet). Not being able to access information online or complete forms online meant people were more likely to need to come into a service centre, which was time consuming and costly for people in many parts of the country.

Particular groups of service users must have their needs taken into account when consideration is given to the allocation of resources. For example, in our consultation with the deaf community, we heard of the need for more information to be provided in accessible formats such as New Zealand Sign Language and Easy Read.

> *"...the levels of support differ and are based on our client's needs. I definitely feel that more can be done in the case management space where we could better help and equip our clients with more information about the outside support services (that) are available. But unfortunately case managers don't have enough time to get down to the nitty and gritty of things."*
>
> **MSD EMPLOYEE**

Have transparent reviews, complaints and appeals processes

No organisation will get things right every time. Where people believe the wrong decision has been made and they want it reviewed, transparent processes should enable them to do so. The consultation revealed a lack of faith in the current systems for reviewing a decision or interaction that has gone wrong. People had concerns that complaining about a service would have a negative impact on their future interactions and that little attention was paid to natural justice in the way the current review and medical appeals processes operated.

Reduce the generation of debt to help rebuild trust

While there are multiple reasons for erosion of trust between MSD and benefit recipients, a significant one is the impoverishment created by the payment of desperately inadequate levels of income and the related generation of debt to MSD and other sources.[39] Developing a trusting relationship is important when working with people who have high levels of debt and poverty (McFarlane et al, 2017).

MSD has a range of products available to address hardship. Some of these products are non-recoverable Special Needs Grants, but most are in the form of recoverable grants and loans that need to be paid back. As at June 2018, $557.8 million was owed as recoverable hardship assistance (WEAG 2019b).

In addition to other qualification criteria, all hardship payments require an immediate and essential, or emergency, need that the client cannot meet from their own resources.

Another proportion of debt owed to MSD by those receiving benefits is from clients who have received money from MSD to which they were not entitled. As at 30 June 2018, this debt stood at $768.7 million. Overpayments can be a result of trying to comply with a complicated income support system that no longer flexes and adapts with the changing nature of income. Decisions relating to debt can often be wrong, and changes are made after a client has lodged a review of a decision or disputed the debt. In contrast, there is no data on clients being underpaid by MSD, that is, the debt from MSD to clients (WEAG 2019b).

> *"Now that I am back at work and am in debt. Every year you need to give WINZ an overview of what you have earned and what you might earn. I am so afraid I might have earned more than I thought and be penalised with even more debt."*
>
> **WELFARE RECIPIENT**

39 A lack of money increases stress and the likelihood people will make risky financial decisions. People use sources of financial support that they trust and avoid those where they feel judged and shameful (McFarlane et al, 2017; Sheehy-Skeffington & Rea, 2017). This can mean that people take out high-interest loans with third-tier lenders who make them feel welcome rather than seeking assistance from MSD which is perceived as being difficult to deal with.

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Inland Revenue and MSD are both part of the wider welfare system but Inland Revenue treats debt significantly differently from MSD.[40] These two government agencies should substantially align their policies and processes to provide an equitable way of treating debt creation and reducing indebtedness. This alignment should be at both legislative and practice levels.

For some benefit recipients, the impacts of indebtedness are long-lasting, because they have no ability to repay. This includes the many MSD clients affected by long-term health conditions or disability. These clients often receive benefits for a large proportion of, sometimes all, their lives. Others are caught in cycles of low income, insecure employment and benefit receipt.

This cycle of inadequate payments requiring one-off assistance top-ups, and resulting in debt, further limits the ability of benefit recipients to sustain themselves and increases stress. It further undermines benefit recipients' trust in MSD. These one-off payments, such as Special Needs Grants and advance payments of benefit, are usually for essential and immediate items to achieve a basic level of living.

We are concerned that a growing debt burden will undermine the ability of people and families receiving benefits to achieve the level of wellbeing intended through the social security overhaul recommended in this report. The level of indebtedness of many of those receiving benefits could result in increases in income being soaked up in high-interest and high-fee debt servicing. We support the rapid development of more stringent regulations on lending, particularly third-tier lenders, already under way. The debt burden presents a major obstacle in the achievement of the underpinning goal of whakamana tāngata, increasing the intrinsic wellbeing and dignity of the people.

For some benefit recipients, the impacts of indebtedness are long-lasting, because they have no ability to repay.

An ethical lending network is starting in New Zealand. This network of community-based lenders, some with the support of major banks, makes fee-free and interest-free loans to low income New Zealanders. One of these organisations provided information to us demonstrating the significant savings that can be made by consolidating some of the highest interest loans into single interest-free loans. This supports people to become debt-free, leading to the promotion of savings and financial resilience.

40 Refer to the Tax Administration Act 1994, section 177, Taxpayer may request financial relief (1a), and section 177A, How to apply serious hardship provisions (2) (www.legislation.govt.nz/act/public/1994/0166/356.0/DLM358340.html?search=sw_096be8ed8176dba3_177_25_se&p=1&sr=9).

Minimise the small amount of fraud within the welfare system

Since the 1980s, anti-fraud measures in the welfare system have become more prominent. Critics of anti-fraud measures argue that they further stigmatise benefit recipients; they do not help build trust. In reality, most people do not commit fraud and want to comply (Cabinet Office Behavioural Insights Team, 2012). This view needs to underpin the treatment of people in the welfare system.

However, we acknowledge that, as in any system, a small number of people will deliberately seek to receive more than their entitlement. This behaviour is not acceptable and must be prevented, and, if fraud is committed, offenders should be punished. There are significant costs with fraud and abuse within welfare systems, including fewer funds to help people who need assistance. Moreover, those who commit fraud may face significant negative outcomes (for example, convictions reduce employability and money obtained fraudulently means less incentive to look for work).

MSD advised us that its fraud investigation unit is adopting a new three-tier approach to alleged fraud: facilitation, intervention and, as a last resort, investigation. These changes are in line with our recommended purpose and principles while also maintaining the integrity of the welfare system.

In addition to this, a fairer approach needs to be taken to the anonymous reporting of other people's relationships to MSD. Anonymous tips can come from, for example, aggrieved former partners and can result in significant stress for the person 'reported' before the allegations are resolved.

Evidence about what works to prevent fraud is limited (Prenzler, 2011a; 2011b), but we support this three-tier approach and believe it fits well with a more preventative way of responding to, and reducing, potential fraud.

The principles of natural justice are paramount and should always be applied to an alleged fraud case.

The Welfare Expert Advisory Group recommends that if a decision made in the investigation stage is contended, then a review independent of MSD should be carried out and all findings applied to the case.

In the cases that result in court proceedings, we are concerned about the inconsistent treatment of benefit fraud cases, compared with other fraudulent activities such as tax fraud; plus we are not certain that prosecution acts effectively as a deterrent (Marriott & Sim, 2017). MSD should explore and look to align its approach to that used by Inland Revenue in relation to prosecutions. This would help to minimise the inconsistencies across the two government agencies responsible for providing welfare support to New Zealanders.

When someone chooses to defraud the welfare system, there are always individual attributing factors to their decision. Drivers of fraud in the welfare system include:

- some benefit recipients and other members of the public perceiving fraud to be a victimless crime
- compliance with MSD policies being difficult for many benefit recipients
- the design of MSD systems and processes presents opportunities for people to commit fraud
- benefit recipients' circumstances (such as poverty and indebtedness) make recipients more open to committing fraud.

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The repercussions of benefit fraud have a significant impact on a person's wellbeing and often include significant debt. This does not override the underlying position that this behaviour is not accepted and must be prevented. At the same time, all necessary steps should be taken to support the person, including making sure they are receiving their full and correct entitlement and allowing them to meaningfully participate in their communities. Making it easier to comply with MSD's processes will lead to more people doing the right thing.

Improving the justice–welfare intersection for positive outcomes

We strongly support ongoing and enhanced interaction between MSD and the Department of Corrections so individuals are fully supported to best achieve positive integration when released from prison.

While work is being done to provide identification, information, health, housing and employment support to people being released back into the community, it is clear many individuals are not adequately prepared or resourced in ways that support their reintegration into families and the community and reduce the likelihood of reoffending. Access to MSD prison reintegration coordinators is very uneven, for example.

The Steps to Freedom grant is not meeting its objective of providing adequate financial support for being released from prison. The eligibility requirements and grant of up to $350 is inadequate.

Arrest and remand, even for short periods, can have huge impacts on individuals and their whānau. Benefit payments are stopped immediately and people may lose their housing (and often possessions) due to their inability to pay, and partners and children are left with no finances and having to organise this through MSD. Upon release, this can increase indebtedness because individuals are having to meet costs to re-establish themselves. In other jurisdictions (Germany, for example), rent is continued to be paid for short sentences so that housing is available on release.

Justice and welfare must work together to improve outcomes for those interacting with both systems

New Zealand has seen consistent increases in its prison population even while crime rates have fallen (Gluckman & Lambie, 2018). Māori and Pacific People are disproportionally affected. This has implications for inflows into the welfare system.

Te Uepū Hāpai i te Ora (the Safe and Effective Justice Advisory Group) should look at opportunities to improve social and economic outcomes for those who engage with both the Department of Corrections and MSD.

People who have been imprisoned often encounter significant barriers, including accessing benefits, on release. Many encounter great difficulty securing jobs and stable housing, because of their recent incarceration. They often have difficulty re-establishing relationships with their families or other social supports. Significant investment in the welfare and justice sector is providing poor outcomes for people who have been imprisoned and their families and whānau. These poor outcomes are disproportionately felt by Māori. Significant social and fiscal costs are borne by whānau and other victims of crime. Access to stable housing, appropriate supports and employment improves life chances and reduces recidivism (Shelupanov & Ali, 2010; Visher et al, 2008).

People who have been imprisoned often encounter significant barriers, including accessing benefits, on release.

Successive governments have supported a progressively retributive rather than a restorative approach to crime (Gluckman & Lambie, 2018). This has been accompanied through greater use of obligations and sanctions in the welfare system. In both the justice and welfare systems, it would be useful to look for opportunities for sustainable transformative change that replaces negative spending with positive investment, that enhances the ability of people to reintegrate with dignity and that increases their chances of securing employment, reducing debt and having enough money to live on.

Many people imprisoned are parents. Children with a parent in prison experience a wide range of negative impacts, including long-term poor health, educational and social outcomes and are at high risk of future imprisonment themselves (Gluckman, 2018; Superu, 2015). Taking a life course approach to those who cause harm is the basis of a whakamana tāngata approach that considers education and training opportunities, active labour market policies, public housing provision and adequate incomes.

Alcohol and other drug addictions, mental and physical illness and learning difficulties contribute to offending and are often undiagnosed and untreated in prison (Gluckman & Lambie, 2018) and in the community. Improving treatment and social services for people experiencing mental illness or addiction or both will have benefits for the welfare and justice sectors (Government Inquiry into Mental Health and Addiction, 2018; Potter et al, 2017).

Understanding gang dynamics is important, if the welfare and justice sectors are to respond in ways that will effect positive and sustained change. Gang members and their whānau have high levels of interaction with the welfare and justice systems. They are also disproportionately represented in incidences of family violence and child maltreatment. It is critical to engage with this hard-to-reach sector because the associated fiscal, social and generational costs are so high.

Fines (for example, infringement fines through local councils, NZ Police and other prosecuting authorities) are easily administered but do not discriminate on the basis of a person's ability to pay, and a series of minor fines can easily mount up quickly from one initial offence. Fines can further compound problem debt for people on low incomes (Expert Advisory Group on Solutions to Child Poverty, 2012a).

Recommendations – key and detailed

Considerable effort is under way to change the culture of MSD, including development of a client commitment charter. The environment in MSD offices is also being made more welcoming for benefit recipients. The direction of change is positive, but considerable effort is needed to ensure it is substantial, consistent across all offices and sustained over the long term.

It will take time, sustained commitment and additional resources to achieve a shift in MSD's culture. Most importantly, the thinking behind the design of MSD systems and policies needs to change, to create lasting and real change in behaviour towards the wide range of users of MSD's supports and services.

We support the direction of change. Our recommendations seek to reinforce the changes by setting demanding key performance measures to hold MSD to account. These should be measurable and informed by the purpose, principles and values we recommend.

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Key recommendations

Restoring trust

Recommendation 10: Develop a mutual expectations framework to govern interactions between the Ministry of Social Development and those who interact with the welfare system.

Recommendation 11: 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).

Recommendation 12: Improve outcomes by ensuring the public-facing, frontline service is consistent with the new purpose and principles through sufficient resourcing (for example, staffing, support and services), an appropriate performance framework, and complaints and disputes processes.

Recommendation 13: Assist recipients of Sole Parent Support to return to part-time work when their youngest child is 6 years old (subject to supports being available, such as good quality childcare) instead of the current 3 years. Support but not require all sole parents to return to work when their youngest child is under 6 years old.

Reducing the generation of debt

Recommendation 14: Continue to prioritise a reduction in outstanding benefit debt through sustainable repayments, and minimise the creation of overpayments, including reviewing recoverable hardship assistance and current practice, to be more consistent with whakamana tāngata.

Recommendation 15: Align the regulations and practice around benefit debt so that it is treated in substantially the same way as Inland Revenue treats taxpayer debt.

Recommendation 16: Instigate a cross-government approach to managing debt to government agencies.

Minimising the small amount of fraud

Recommendation 17: Endorse the Ministry of Social Development's three-tiered approach to responding to fraud allegation: intervene, facilitate and, as a last resort, investigate. Apply the principles of natural justice in all steps, and, if the outcome is disputed, permit a review independent of the Ministry of Social Development.

Interface with the justice sector

Recommendation 18: Enhance and improve the support for people exiting prisons, including increasing the Steps to Freedom grant, and ensuring that any person who leaves prison has appropriate identification and is engaged with specialised care and supportive housing initiatives. Move practices around prisoner integration out of the 'pilot' stage and draw on evaluation data to embed integrated support for these individuals.

Detailed recommendations

Theme	Detail
Mutual expectations framework	Reform the obligations and sanctions regime into a system of mutual expectations and responsibilities, apply these according to the circumstances of the individual and in a way that is consistent with the proposed purpose, principles and values. Strong checks to mitigate potential negative impacts on individuals and their families will be required. This new approach is strongly connected to improving wellbeing and supporting the increased skills and labour market capacity of the individual and family or whānau.
Obligations and sanctions removal	Remove: • the requirement to complete specific activities before a benefit is granted (pre-benefit activities) • the sanction where benefit payments stop if people have a warrant out for their arrest, and continue data matching with the Ministry of Justice and take a proactive supportive approach to contacting these people • social obligations that require people receiving a benefit to take all reasonable steps to have their children enrolled with a medical practice, be up to date with their Wellchild/Tamariki Ora checks and be attending early childhood education or school • pre-employment drug testing and provide specialised support for people with substance use disorders • the mandatory work ability assessment for people with health conditions or a disability and link workability assessments to return to work plans • the requirement to reapply for a benefit every 52 weeks – MSD is expected to provide full and correct entitlements through regular reviews (at least annually) • work obligations when an additional child is included in a benefit (the subsequent child rule) • the sanction on not naming another parent (was section 70A in the Social Security Act 1964 and is now section 192 of the Social Security Act 2018).

EMBARGOED until 3 May 2019, 2pm

Theme	Detail
Resourcing and other processes of the public-facing, frontline service are consistent with the new purpose and principles	Resource frontline services to the level required to achieve outcomes as a priority. Implement an ongoing, comprehensive, active and agile staff training strategy. Adopt an improved and accessible complaints process that is measured by a satisfactory restoration of the relationship between the parties. Make the review process simpler, speedier and more accessible, and ensure the principle of natural justice is observed. Make a further hearing at the Social Security Appeal Authority available to those who take an unsuccessful claim to the Medical Appeals Board. Assign people likely to be in long-term receipt of a benefit or with complex needs a dedicated case manager, and give such case managers small caseloads so they can adequately address the wellbeing of the person in need and their family or whānau. Resource the workforce adequately, and streamline systems in consultation with the frontline workforce to improve work flow and recipient service experience. Put people at the centre of decision making, seek feedback from staff about how system changes affect their roles, and empower staff to work proactively to enhance the mana of benefit recipients. Provide multiple channels for service so applicants can access assistance through whichever channel they are most comfortable using. Take a Whānau Ora-type approach where the complexity of a person's situation means multiple agencies are involved and skilled navigators support the person's interactions with the agencies and community organisations.

Theme	Detail
Reducing the generation of debt	
Ways to minimise the creation of overpayments and reduce overall indebtedness	Review all hardship payments and ensure eligibility is in line with the new purpose and principles of the Social Security Act. Give MSD the mandate to improve, simplify and redesign practice around income declarations. Increase funding for community initiatives that promote financial literacy and for debt reduction, such as no interest, no fee and debt consolidation loans. Introduce a scheme of incentivising benefit debt repayment, such as a Matched Debt Reduction Scheme, to reduce outstanding benefit debt. Review internal performance measures relating to debt, to bring them in line with the new purpose and principles.
Minimising fraud	
Minimising the small amount of fraud	Endorse MSD's three-tiered approach towards alleged fraud. Introduce independent review proceedings prior to a Benefit Review Committee for prosecution investigations. Explore and align prosecution practice with Inland Revenue's approach to prosecution.
Improving the interface with the justice sector	
Improving the service provided to people released from prison	Scale up the Supporting Offenders into Employment intervention and MSD's reintegration efforts, in conjunction with the Department of Corrections. Pastoral care for people released from prison should be increased. Review and increase the current value of the Steps to Freedom grant, to ensure it is adequate for basic living costs, including housing. Monitor and ensure prisoners have the appropriate documentation to obtain income support or work on release (for example, an official form of identification, a driver's licence, bank account, contact details). Consider continuing housing cost assistance for people entering prison for a short period, on remand or in custody.

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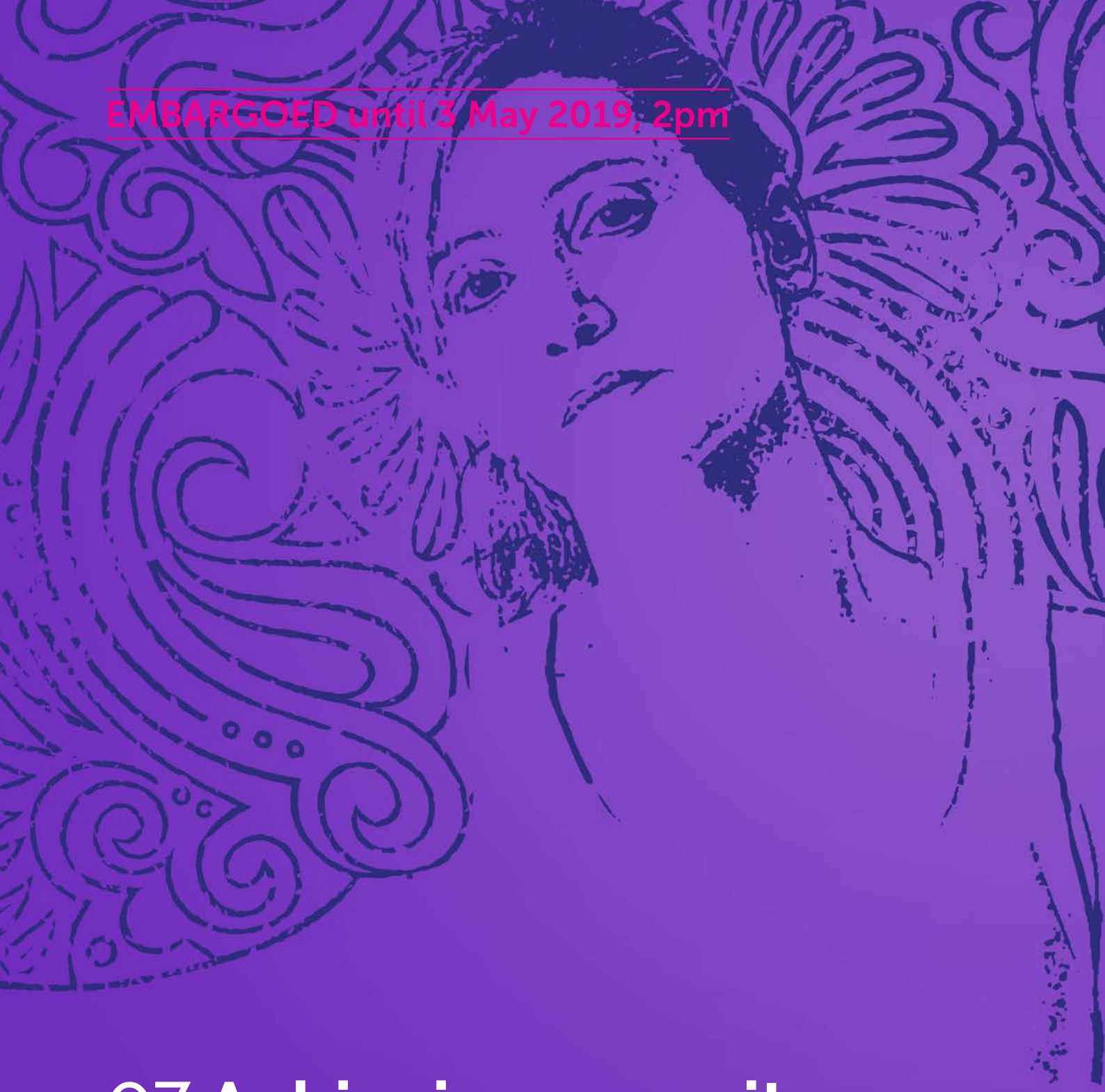

07 Achieving security requires adequate income

It is clear that the system of income support must be substantially reformed to significantly improve its adequacy and design. However, any changes to income support will require difficult trade-offs (Boston, forthcoming). These trade-offs are often represented in the so-called 'iron triangle' – the three main objectives of an income support system that are difficult to achieve at the same time. These objectives are to:

- reduce poverty
- ensure there are incentives to work
- provide support at a sustainable cost to government.

These trade-offs are clear over the short term, but they become more nuanced over the longer term. For example, while higher benefit payments increase costs to government in the short term, longer-term savings for government come from the impacts of reduced poverty on the broader wellbeing of people, such as lower costs from better health, higher educational attainment, higher employment and productivity, and less crime. In addition, there will be significant benefits to the wellbeing of people and their families, which, aside from any reduced costs to government, are important in their own right.

In other words, the longer-term costs of doing nothing are considerably larger than the admittedly large short-term direct fiscal costs of reducing poverty.

Consequently, to be explicit about the trade-offs we are comfortable with, it is important that the principles underlying the provision of income support by the social security system are similarly explicit.

We have developed 10 principles for the redesign of the income support system.

- Income support is adequate for meaningful participation in the community and maintains this support over time.
- Income support ensures that people are always better off in paid work, and high effective marginal tax rates are avoided as much as possible.
- Main benefits should cover a larger proportion of people's living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.
- Changes to income support reduce current disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes awareness of entitlements to the broader population.
- The income support system is easy to access and provides timely support, including for people transitioning in and out of the system.
- The income support system is as simple as possible, balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.

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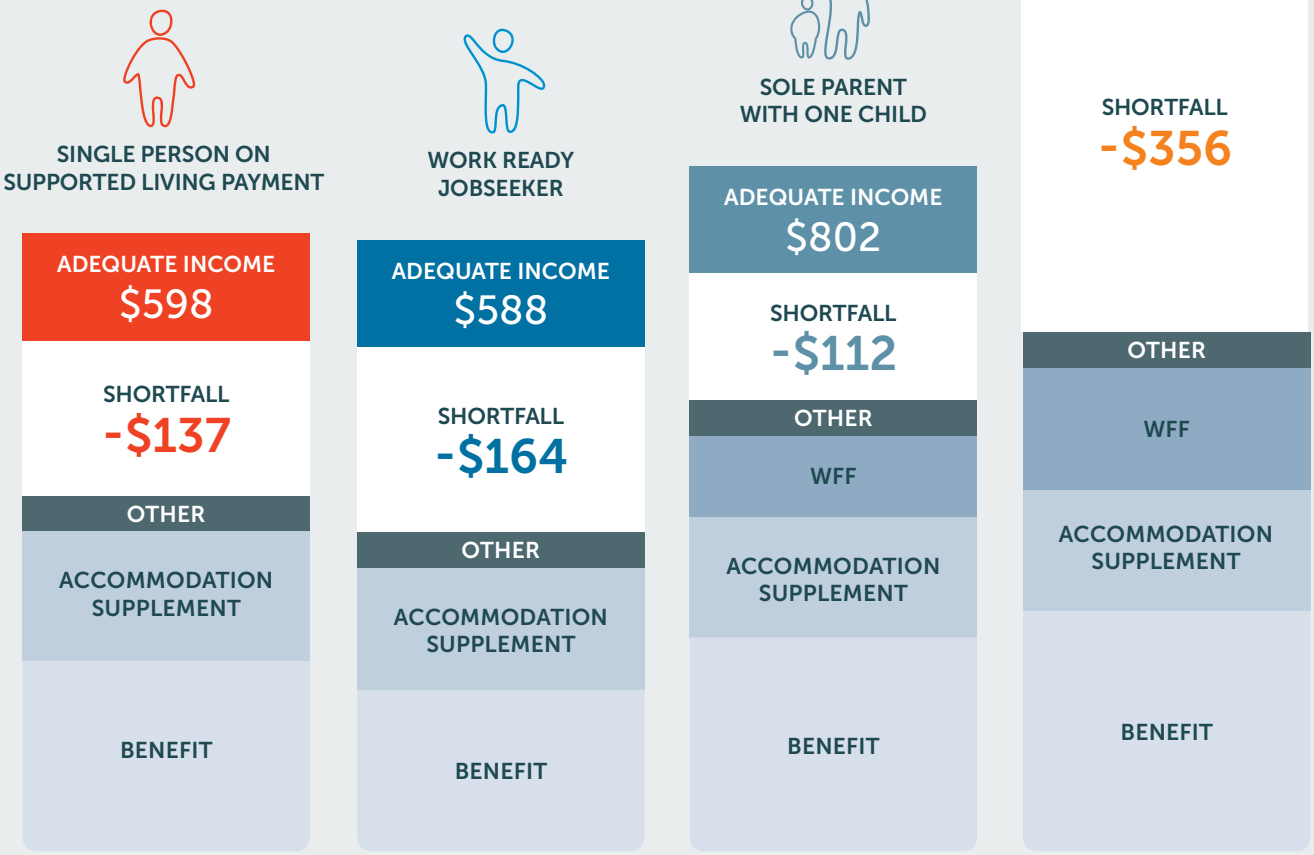
Social and financial security sufficient for an adequate standard of living

Example families on benefit and in private housing would need over $100 per week more to meet their costs to participate in their communities...



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Investigating adequacy using example families and budgets

We commissioned research that explores the adequacy of the income support system by considering the circumstances of six example families (WEAG, 2019c). This research compares the incomes of these families in a variety of circumstances to their estimated costs (their budgets) and identifies any deficits (if their income is not sufficient to meet these costs) or surpluses (if their income is sufficient).

For estimated costs, the research uses budgets that reflect two levels of spending: spending on core or basic costs (for example, rent, power, food and transport) that are needed to 'just get by' without borrowing, and spending at a slightly higher level that allows for some relatively minimal participation spending (for example, playing a sport and cheap presents for family). Data was drawn from a variety of sources and the budgets were reviewed by experienced budget advisors to test the assumptions chosen.

The estimated deficits between people's current incomes and the spending needed for a minimal level of meaningful participation in their communities are large.

- For a single person receiving a benefit and renting privately, the deficit is around $130 to $170 a week.
- For a sole parent receiving a benefit and renting privately with one child aged under 2 years, the deficit is around $110 a week, and with three children rises to around $250 a week.
- For a couple receiving a benefit each and renting privately with two children, the deficit is around $350 a week.

The estimated deficits associated with the spending needed to meet basic costs are smaller but still substantial, ranging from around $50 to $230 a week for the example families.

These deficits result in people and families making unenviable spending decisions, such as purchasing cheap food, relying on food banks or going without food, avoiding doctor visits, foregoing children's involvement in activities, living in overcrowded housing of poor quality or borrowing from high-cost 'payday lenders'. There are undoubtedly negative consequences for broader wellbeing from social exclusion, an inability to invest sufficient resources for child development and the stress that such difficult circumstances place people under. These impacts on mental health, cognitive development, school achievement and social and behavioural development can limit opportunities and perpetuate, indeed magnify, future support needs.

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Ultimately, such deficits mean little opportunity to save or to build assets for future wellbeing (for example, for housing or retirement), further impacting on the dignity and ability of people to participate meaningfully in their communities.

This research shows that many individuals and families receiving benefits, as well as people in low-wage work, are unlikely to have enough income to be able to meet basic costs or meaningfully participate in their communities. It also unambiguously points to the need for significant increases in rates of payment of income support, including main benefits.

This research also compares the example families' incomes to median household incomes in New Zealand. Compared with the median income in New Zealand (equivalised across households and after deducting housing costs), all example families receiving a benefit have incomes below 40% of the median.

For example, a single person receiving a benefit and renting privately has an income, after housing costs, at around 22% of the median if they are receiving Jobseeker Support and at around 28% of the median if they are receiving the Supported Living Payment. The couple with two children receiving a benefit and renting privately is at around 29% of the median income. By any measure of poverty, these examples reveal a dire situation.

Immediate steps towards adequacy

The large deficits identified above support the repeated calls by many groups for an immediate and significant increase in main benefit rates (Child Poverty Action Group, 2019). Notably, though, a 20% increase in main benefit rates, as many have suggested (including in submissions and during our consultation hui), would still leave many with inadequate levels of income. This is especially the case if meaningful participation in communities is an objective.

Additionally, an immediate increase on its own risks being negated by reductions in Accommodation Supplement, Temporary Additional Support and other payments. Therefore, we have developed a package of changes that significantly improves the adequacy of income support and are broadly based on the deficits shown in the example families research.

> *"Benefit and tax credit levels have been too low to support families. The need for hardship grants from Work and Income [MSD], particularly for food and housing, has soared over the past few years. Thousands of parents have been forced into debt to meet their families' basic needs or to pay an emergency bill, or they have relied on charity to ensure children are fed and clothed. The Families Package delivers well under what is needed."*
>
> **AN EMPLOYEE**

The main parts of this package of changes are:

- significant increases to main benefit payments and an increase in abatement thresholds
- increasing the Family Tax Credit substantially and reducing its abatement to make it a near-universal payment
- the introduction of a Living Alone Payment to contribute to the additional costs of adults living alone (without another adult) on a low income
- the introduction of an Earned Income Tax Credit, a work incentive payment for people with and without children, to replace the three existing work-related tax credits: the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit.

The Welfare Expert Advisory Group recommends the package of changes shown in table 2.

Table 2: Recommended changes to improve the adequacy of income support

Category	Payment rates, abatement thresholds and rates, new or removed	Current state	Recommended change
Main benefits – payment rates	Jobseeker Support (and Youth Payment) – single (18–24 years)	$179 per week (p/w)	$315 p/w
	Jobseeker Support – single (25 years+)	$215 p/w	$315 p/w
	Jobseeker Support – sole parent	$334 p/w	–
	Sole Parent Support (and Young Parent Payment)	$334 p/w	$374 p/w
	Jobseeker Support – couple	$179 p/w each	
	Jobseeker Support – couple with children	$192 p/w each	$268 p/w each
	Supported Living Payment – single (16–17 years)	$218 p/w	$359 p/w
	Supported Living Payment – single (18+ years)	$269 p/w	$359 p/w
	Supported Living Payment – sole parent	$379 p/w	$399 p/w
	Supported Living Payment – couple	$224 p/w each	
	Supported Living Payment – couple with children	$237 p/w each	$305 p/w each
Main benefits – abatement rates and thresholds	Jobseeker Support	70% after $80 p/w	70% after $150 p/w
	Sole Parent Support and Supported Living Payment	30% after $100 p/w; 70% after $200 p/w	30% after $150 p/w; 70% after $250 p/w

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Category	Payment rates, abatement thresholds and rates, new or removed	Current state	Recommended change
Living Alone Payment	Introduce a Living Alone Payment	n/a	$30 p/w
Working for Families	Family Tax Credit – eldest child	$113 p/w	$170 p/w
	Family Tax Credit – subsequent children	$91 p/w	$120 p/w
	Family Tax Credit – abatement	25% above $42,700 per annum (p/a)	10% from $48,000 p/a to $65,000 p/a; 15% from $65,001 p/a to $160,000 p/a and 50% above $160,001 p/a
	Remove the In-Work Tax Credit (IWTC) and Minimum Family Tax Credit (MFTC)	IWTC: $72.50 p/w once working 20 hours p/w (sole parents) or 30 hours per week (couples) (abates after the Family Tax Credit at 25%)	n/a
		MFTC: tops up income to $503 p/w once working 20 (30) hours p/w (effective abatement rate of 100% above $503 p/w)	n/a
Earned Income Tax Credit	Introduce an Earned Income Tax Credit that phases in above $150 p/w at 20%, up to a maximum of $50 p/w	n/a	Up to $50 p/w
	Earned Income Tax Credit abatement	n/a	15% above $48,000 p/a
Independent Earner Tax Credit	Remove the Independent Earner Tax Credit	$10 p/w from $462 p/w to $846 p/w	n/a
	Independent Earner Tax Credit abatement	13% above $44,000 p/a	n/a

We considered many variations of packages. Some trade-offs are difficult, and the most significant are discussed in the sections below. The package in table 2 is our preferred option within the information and time constraints we faced. It strikes a good balance between improving incomes for people receiving benefits, making work pay, and the additional costs to government. It also represents a genuine investment in wellbeing.

While this package will substantially improve the incomes of many people, our analysis suggests that it does not result in increases sufficient enough to enable meaningful participation for many families. Further increases would be needed to reach this level and lift more adults and children out of poverty.

Raise main benefits

Consistent with the principle that a main benefit should cover a greater proportion of people's costs, the Welfare Expert Advisory Group recommends significantly increasing the rates of main benefits to increase their incomes closer to those required to enable meaningful participation. In summary, these increases are:

- $100 a week for Jobseeker Support (single rate)
- $89 a week for Jobseeker Support (couple rate)
- $90 a week for Supported Living Payment (single rate)
- $81 a week for Supported Living Payment (couple rate)
- $40 a week for Sole Parent Support.

The gains from this package for sole parents and couples with children are concentrated in the significant increases to the Family Tax Credit (discussed in the next section).

Further increases to main benefits are prevented by two principles:

- Jobseeker Support should not be available to people in fulltime work (40 hours a week) on the minimum wage, so needs to be fully abated by this point
- main benefit payment rates should not exceed the payment rates of New Zealand Superannuation.

In this package, the couple rates of main benefits are maintained at 1.7 times the single rates. In our view, the ideal position would be for couple rates to be double the single rates. However, we have proposed the lower couple rates to keep them within the limits of New Zealand Superannuation (where the couple rate is 1.67 times the single sharing rate). Consideration should be given to addressing this issue across the welfare system.

Couple benefit rates could have been increased to double the single rates, but this would have reduced the amount by which the single rates could have increased, given the constraint of the rates of New Zealand Superannuation. For reasons of adequacy, the choice was made to maximise the increase in the single rate rather than fully remove the partnering disincentive in the couple rate (that is, prioritise improving adequacy for most over individualising the payment rate), though this is a difficult trade-off.

The new couple rate of Supported Living Payment is just below that of New Zealand Superannuation. These changes maintain a higher payment rate of Supported Living Payment, compared with Jobseeker Support, to recognise the likely longer-term nature of receiving Supported Living Payment. Further changes to benefit rates would need to consider changes across the suite of income support payments, including main benefits, New Zealand Superannuation and student support.

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The Welfare Expert Advisory Group recommends increasing the rate of Sole Parent Support by less than other benefits for two main reasons. The first is that, in our view, it is preferable to concentrate the increases in support for children through the Family Tax Credit. This means these increases are available to both couples and sole parents, and these increases flow through to low-income working families (potentially better preserving incentives to work). In the example families research, couples with children faced some of the biggest deficits between their incomes and incomes sufficient for meaningful participation in their communities.

The second reason is that these increases to main benefits slightly reduce the financial disincentive to partner within the benefit system by reducing the difference between the sole parent rate of benefit and the couple rate of benefit. Further increases to Sole Parent Support could be considered, particularly if further reductions in poverty are prioritised. However, these would increase the financial disincentive to partner in the benefit system and could reduce financial incentives to work for sole parents.

The Welfare Expert Advisory Group also recommends increasing the abatement thresholds for main benefits (see table 2 on page 99) to improve the adequacy of incomes for people working part-time on low wages and to improve the financial incentives to work part-time.

In addition, the Welfare Expert Advisory Group recommends removing youth rates of main benefits, because there is no evidence that living costs are significantly lower for 16- to 24-year-olds who are living away from home than for people 25 years and over. This includes increasing the rates of Youth Payment and Young Parent Payment to the same levels. These changes also simplify the system.

The Welfare Expert Advisory Group further recommends removing the initial stand-down periods for main benefits, which mean that people currently face one to two week gaps in income from when their income from work ends to when their benefit starts. These stand downs place (predominantly low-income) people in unnecessary financial hardship, make it harder for people to transition into the system and can discourage people from taking up employment (for fear of future gaps in income if the job ends).

The Welfare Expert Advisory Group also recommends removing the 13-week non-entitlement period for voluntary unemployment. Whether a person has a good and sufficient reason for leaving work is inconsistently considered (as is whether people are offered opportunities to re-comply with the obligations on them). This non-entitlement places people into unnecessary financial hardship for a significant period. A better approach uses the new mutual expectations framework, combined with a substantially improved public employment service, so people are quickly supported to return to good and appropriate work.

Other changes the Welfare Expert Advisory Group recommends to main benefits are to:

- remove the '30-hour rule' for Jobseeker Support (which prevents payment of Jobseeker Support if the primary recipient of this benefit works for more than 30 hours a week), to avoid creating a significant loss in income for a person working that number of hours (on a low wage) when combined with the other changes recommended
- introduce individual entitlement to Jobseeker Support while retaining a couple-based income test (currently, only one member of a couple is legally entitled to Jobseeker Support, reflecting an out-dated 'breadwinner' model in relationships)
- keep sole parents on Sole Parent Support until their youngest child turns 18 (rather than switching them to Jobseeker Support once their youngest child turns 14), to remove the need for a sole parent rate of Jobseeker Support – noting that this does not affect their work expectations, just the benefit type they receive
- consider changing the name of Jobseeker Support – Health Condition or Disability to better reflect people's needs (for example, to Health Support), because many people during consultation raised their unhappiness with being considered a jobseeker when they were unwell and not able to work.

Introduction of a Living Alone Payment

The Welfare Expert Advisory Group recommends the introduction of a new Living Alone Payment to contribute to the additional costs associated with not sharing accommodation with another adult. This payment should be $30 a week. This payment will abate after a person's main benefit has finished abating, at the same rate (70%), and is available to people receiving a benefit and in low-wage work.

The rate is based on the difference between the single sharing and single living alone rates of New Zealand Superannuation (around $30 a week). This payment is unlikely to cover the full costs of living alone (or to financially incentivise this option for those who are able to share), but is intended to contribute to these costs.

While sharing accommodation is a good option for many people to significantly reduce their costs, it is not an option that everyone is able to take. Sole parents may be reluctant to share accommodation with an unrelated adult (if they do not have family or friends who they can live with), and some people, particularly those with serious health conditions or disabilities, may also find it more challenging to find suitable flatmates.

We recognise that this payment introduces further complexity into the welfare system. However, the example families research clearly demonstrates that people living alone (without another adult) are likely to face some of the most significant deficits in their incomes, compared with what is required for both core and participation levels of expenditure. The Living Alone Payment is one way to address this. Other options to increase incomes for these groups could include further increases to Sole Parent Support and/or further increases to housing assistance (in particular, Accommodation Supplement).

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Substantial changes to Working for Families

The Welfare Expert Advisory Group recommends substantial changes to Working for Families, to improve the adequacy of incomes and the returns from paid work for families with children.

We take the view that the Family Tax Credit should move closer to being universal, available to all except high-income families. The rationale for this is that all of society benefits from the next generation and should contribute to the costs.

To significantly increase support for families with children, Family Tax Credit rates should be increased to $170 a week for the eldest child and $120 for subsequent children. We considered further increases to the subsequent child rate (up to $150 a week) that preserved the current gap between the eldest child rate and the subsequent child rate (of around $20 a week). We do not recommend this, for reasons of fiscal cost and in recognition that the highest additional costs are associated with a first child.

The Welfare Expert Advisory Group recommends that the abatement threshold for Family Tax Credit is increased to $48,000 annual family income so it does not overlap with abatement of main benefits or the Living Alone Payment. We propose the abatement rate is reduced to 10% on income from $48,000 to $65,000 and 15% on income from $65,001 to $160,000. This compares with a flat rate of 25% currently. The Welfare Expert Advisory Group further recommends that the abatement rate is increased to 50% on incomes over $160,000 per year.

The effect of these changes to the Family Tax Credit is to increase the support for low- and middle-income families raising children and improve the returns to work by reducing the effective marginal tax rate for most families. The high abatement rate for better-off families ensures Family Tax Credit assistance is withdrawn rapidly once families reach that level of income. It will mean some high-income families who do claim a Family Tax Credit will face a relatively high effective marginal tax rate over a short range of income.

Overall, these changes will lift a large number of children out of poverty and hardship.

The Welfare Expert Advisory Group also recommends that the Best Start Tax Credit be made universal for all children aged under 3 years. Currently, Best Start is universal for only the first year and abates at 21% above a family income of $79,000 a year for the next 2 years. The separate abatement regime (from the Family Tax Credit and In-Work Tax Credit) creates unnecessary complexity and could result in a small number of families facing effective marginal tax rates over 100%. Universalising Best Start comes at a relatively modest fiscal cost, focuses support to families with young children, and simplifies the system.

The proposed increases to the Family Tax Credit enable main benefit rates to be simplified and enable the repeal of the Child Tax Credit (a grand-parented payment that was replaced by the In-Work Tax Credit) because the higher rates of the Family Tax Credit ensure this group will still be substantially better off.

The detailed recommendations at the end of this chapter propose minor changes to tidy up and improve the design and administration of various Working for Families tax credits and to take a more consistent, practical and considerate approach to families with children. In summary, these recommendations are to:

- tidy up the different timeframes for stopping payments when a child has died – the Family Tax Credit stops on the day the child dies, whereas other payments (including Best Start) can continue for 4 weeks after a child dies, in recognition that it is unreasonable to expect grieving parents to call agencies to stop payments immediately on the death of a child
- consider changing the interaction between the Best Start Tax Credit and Paid Parental Leave payments so unavoidable overpayments do not occur and to pay the payments at the same time
- consider how the increases in the Family Tax Credit affect other rates of payments for children (such as Unsupported Child's Benefit and Orphan's Benefit) – previous reforms increased these two payments by equivalent amounts to match Family Tax Credit increases because recipients of these payments are not entitled to receive the Family Tax Credit.

New Earned Income Tax Credit

The Welfare Expert Advisory Group recommends that the other two tax credits in Working for Families – the In-Work Tax Credit and Minimum Family Tax Credit – be replaced by a new tax credit, referred to in this report as the Earned Income Tax Credit.

The current Minimum Family Tax Credit significantly increases people's incomes as they move into part-time work on low wages (20 hours a week for a sole parent and 30 hours for a couple), alongside the In-Work Tax Credit. However, once people are working these hours they see no increase in their incomes as they earn more – they face an effective marginal tax rate of over 100% until they are almost working full-time on the minimum wage.

The current system provides a significant 'step up' in income at a particular point, but it also means that people face a significant drop in income (a 'step down') if they are unable to meet the hours requirement in a particular week. This can be difficult for people who are working variable hours from week to week. The Earned Income Tax Credit provides no significant 'step up' in income at a particular number of hours; instead providing a gradual increase of in-work support.

The Welfare Expert Advisory Group recommends that the Earned Income Tax Credit be set at a maximum $50 a week for a single person or family. Because it can be claimed by individuals with and without children, it should replace the Independent Earner Tax Credit. The new work incentive tax credit is targeted based on family income, rather than individual income, so that only families on relatively low incomes receive it. A significant proportion of recipients of the Independent Earner Tax Credit are low-income individuals who are part of a relatively high-income family.

The Earned Income Tax Credit phases in at 20% once a person or family is earning $150 a week. If they are also receiving a main benefit while they are working, this effectively reduces the abatement rate of the benefit (for example, from 70% to 50% if they receive Jobseeker Support). Once the person or family is earning $48,000 a year the Earned Income Tax Credit is reduced by 15% above this.

For a family with children, this will mean the Earned Income Tax Credit will abate at the same time as the Family Tax Credit for those families earning from $48,000 to $65,000 a year, resulting in a total of 25% abatement above their marginal tax rate, the same rate as they currently face from the Family Tax Credit and In-Work Tax Credit. However, abatement rates will be significantly lower for people

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no longer receiving the Minimum Family Tax Credit, for people working and receiving a main benefit (as described above), and for families who earn above $65,000 (the Earned Income Tax Credit cut-out point).

Because the Earned Income Tax Credit abates at the same time as the Family Tax Credit, instead of after the Family Tax Credit (like the current In-Work Tax Credit), it is more tightly targeted to families on lower incomes where it is more effective. Particular consideration has been given to improving the incomes of low-income working people, particularly given the scale of the recommended increases to main benefits. This means gains for low-income working people are close to those of people receiving a main benefit, to preserve a reasonable gap between income support and work.

While this recommendation has the same rate of Earned Income Tax Credit for people with and without children, it would be possible to pay a higher amount to families with children (or a lower amount to people without children), to reflect that families with children generally face higher costs associated with work. An alternative would be to pay the Earned Income Tax Credit only to families with children, in which case the Independent Earner Tax Credit could be retained for people without children (and consideration given to reforming it to have a couple-based income test to better target its support).

Impacts on households of our proposed package

The recommended package provides considerable gains to many households, as estimated by the Treasury tax and welfare analysis (TAWA) model. The limitations and caveats associated with this modelling are in Appendix C.

For households with children:

- 80% of households gain
- the average gain per household is $6,400 a year (around $123 a week)
- 5% of households are financially disadvantaged and have an average loss of $700 a year (around $13 a week).

For households without children:

- 47% of households gain
- the average gain per household is $3,400 a year (around $65 a week)
- 8% of households are financially disadvantaged and have an average loss of $600 a year (around $12 a week).

For those who are financially disadvantaged:

- very few of these households are below 50% of the median income (equivalised across households and before deducting housing costs)
- most of these households are relatively high-income households who would have previously been eligible for the In-Work Tax Credit or Independent Earner Tax Credit but are not eligible for the new Earned Income Tax Credit
- some financial disadvantage may be caused by interactions with Accommodation Supplement – these losses could be avoided with further work to consider the interactions between payments and likely relatively minor impacts on the overall fiscal cost.

Impacts on example families of our proposed package

We estimated the impacts of the recommended changes on the example families used in our research on adequate incomes.

For sole parents:

- the example sole parents **working part-time and full-time** on low wages gain around $110 to $170 a week – enough to reach or exceed participation levels of expenditure
- all sole parent example families **who are not working** gain enough to reach core expenditure levels (gaining around $80 to $165 a week)
- two of the example sole parent families **who are not working** gain enough to reach participation levels of expenditure – the sole parent who is sharing private rental accommodation (gaining around $80 a week) and the sole parent who is in public housing (gaining around $150 a week)
- the remaining sole parent example families **who are not working and renting in the private market** still face deficits in their weekly incomes of around $25 to $90, compared with the levels needed to reach participation expenditure (despite gaining around $90 to $165 a week)
- gains are highest for the example sole parents who are working (part-time and full-time) on low wages.

For couples with children:

- the example couple with children with **one full-time earner** on low wages gains around $195 a week – enough to reach participation levels of expenditure
- the example couple with children with **one full-time and one part-time earner** gains around $100 a week – almost enough to reach participation levels of expenditure
- the example couple with children **who are both not working and renting in the private market** still face deficits in their weekly incomes of around $180 to $190, compared with the levels needed to reach participation expenditure (despite gaining around $175 a week)
  - compared with the levels needed to reach core expenditure, they face deficits in their weekly incomes of around $55 to $65.

For single people without children:

- the example single people **working full-time and part-time** on low wages gain around $85 to $190 a week – enough to exceed participation levels of expenditure
- only one of the example single people **who is not working** gains enough to reach participation levels of expenditure – the person receiving Supported Living Payment and living in public housing (gaining around $90 a week)

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- two other example single people **who are not working** gain enough to almost reach core levels of expenditure – the person receiving Jobseeker Support and sharing private rental accommodation (gaining around $80 a week), and the person receiving Supported Living Payment and renting in the private market (gaining around $85 a week)
- the remaining example single people **who are not working (and receiving Jobseeker Support), living alone and renting in the private market** still face deficits in their weekly incomes of around $55 to $85, compared with the levels needed to reach participation expenditure (despite gaining around $85 to $90 a week)
  - compared with the levels needed to reach core expenditure, they face deficits in their weekly incomes of around $14 to $45
- the gains are most significant for the example single person working part-time on low wages
- the gains for the example people who are not working and those working full-time on low wages are similar.

Impacts on poverty of our proposed package

Our terms of reference asked us to consider the impacts on child wellbeing and the Government's child poverty strategy. This package is estimated to substantially reduce the number of children in poverty and contribute to significant improvement in wellbeing.

The TAWA model can provide estimates relating to only two of the poverty thresholds recommended by the Government Statistician: 50% and 60% of the median income (equivalised across households and before housing costs (BHC)), relative to the median income in that year – referred to as 50% BHC and 60% BHC. Given the importance of housing costs, particularly for low-income people, further work should be done to estimate the impacts on incomes after housing costs. The impacts on children are that the number of children:

- below the 50% BHC threshold is estimated to fall by around 45,000 (around a 40% decrease)
- below the 60% BHC threshold is also estimated to fall by around 50,000 (around a 25% decrease).

Is it important to note that this package also increases the median household income, so these decreases are compared to this higher median income. This analysis highlights the importance of considering both relative poverty thresholds (as above) and constant value poverty thresholds (which fix the median at a certain point in time and increase it with inflation). Both relative and constant value measures are reflected in the Child Poverty Reduction Bill (though there are limits to the measures that can be modelled for estimates of future changes).

This package also substantially reduces the number of adults in poverty.

The impacts on adults are that the number of adults:

- below the 50% BHC threshold is estimated to fall by around 70,000 (around a 30% decrease)
- below the 60% BHC threshold is also estimated to fall by around 65,000 (around a 15% decrease).

Fiscal costs of the package

The fiscal cost of these changes is estimated to be around $5.2 billion a year when fully implemented.

We expect these short-term costs will generate longer-term benefits in genuine wellbeing. In fiscal terms, such wellbeing benefits would see lower health and justice costs over the longer term, along with an improved economy with higher participation in the skilled workforce. However, attaining such benefits would require that significantly higher levels of income support are embedded in the social security system and maintained over the long term.

Significant costs from the current inadequate levels of income support payments cannot be ignored. The poverty and hardship they create place a significant burden on the most vulnerable members of society, including poorer mental health for adults and poorer outcomes for children in the short and long term (across a variety of areas, such as cognitive development, school attainment and social, emotional and behavioural development).

Put simply, much larger fiscal, economic and societal costs await us over the horizon – and into future generations – should we choose to do nothing now.

Limitations

Time has been insufficient to explore the myriad complex interactions in the income support system as a result of the recommended changes and to fully assess the impacts of this package on incentives to work. Further work would be required to systematically address the interactions in the system to avoid unintended impacts and to better understand the impacts on incentives to work. It is important to note that this package has assumed current eligibility settings for payments are largely maintained. There was insufficient time to address other eligibility settings, such as residence periods.

Indexation

Some of the problems with the current system have come about because the relative value of payments has not been maintained. This is clearly demonstrated in chapter 2, particularly in figure 3 on page 37, which shows the decline in the relative incomes of benefit recipients compared with wages. The increases in income that we recommend need to be maintained, to ensure people's incomes when they are not working remain adequate and do not gradually reduce compared with the incomes of people who are working.

Child support and shared care

A key principle is the importance of the child in the welfare system. Welfare should be designed so that child-related payments follow the child and can be apportioned with shared care.

How child support is paid and treated in the welfare system should change significantly to align it with the recommended values and principles.

Put simply, much larger fiscal, economic and societal costs await us over the horizon – and into future generations – should we choose to do nothing now.

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The Welfare Expert Advisory Group recommends that all child support collected by Inland Revenue is passed on to the carer of the child,[41] including people receiving Unsupported Child's Benefit. The purpose section of the Child Support Act 1991 should be amended accordingly. The main benefit system is about providing for the cost of the adults, and money intended for children should not be withheld by the Government to offset those costs. We consider this recommendation is likely to encourage more liable parents to pay knowing that it will be passed on to support their children.

The child support that is passed on to carers should be treated as income for benefit abatement in the same way as wages. Similarly, it should not be treated as part of the paying parent's income. Child support received is already counted as income (and a reduction of income when paid by a liable parent) for the Family Tax Credit. This reflects that child support is a transfer of income from one parent to another.

With child support being passed on, carers would have more of an incentive to apply for child support if that is in their child's best interests. For this reason, and consistent with the move to a less punitive and more child-centred system, the Welfare Expert Advisory Group recommends removing the sanction for sole parents who do not apply for child support and the compulsory requirement to apply for child support. This is an area where we heard a lot from submitters – the penalty on sole parents around child support were seen as unfair and should be repealed (section 70A in the Social Security Act 1964).

Unsupported Child's Benefit is different from main benefits, and we recommend there still be a requirement to apply for child support. The Welfare Expert Advisory Group recommends that people, such as grandparents, receiving Unsupported Child's Benefit also receive any child support collected, but that the role and level of Unsupported Child's Benefit payments be reviewed to account for the changes recommended to both the Family Tax Credit and child support. Similarly, the child expenditure table in the child support formula should be updated to account for the recommended changes to the Family Tax Credit.

In light of removing the compulsion and penalties for sole parents, we would still encourage and expect that, if a carer does not already have a voluntary arrangement in place or a good reason for not applying, they would apply for child support. We would expect the relevant agencies to also make the child support application process easy and ensure child support is collected from liable parents and promptly passed on.

41 In the child support legislation this is referred to as the receiving carer.

The Welfare Expert Advisory Group recommends:

- the Government, where possible, aligns the definitions in the Family Tax Credit and in child support, especially the definitions of shared care, split care[42] and income, to make it easier for families to understand
- the minimum amount of shared care that is recognised for receiving financial support be aligned at 35% of shared care.

Shared care and split care of children should also be recognised in a wider range of payments, for example, Childcare Assistance and Accommodation Supplement. During consultation people raised concerns, for example, that the practice of allowing only one parent in a shared care arrangement to receive Childcare Assistance was inequitable, put further strain on the relationship between parents, and defeated the purpose of encouraging people back to work.

Additional steps to achieve adequacy

The changes described above should be seen as a minimum, immediate first step in an overhaul of the system of income support.

Our assessment of income adequacy has necessarily been limited. We acknowledge that income adequacy varies according to many factors, including family type and circumstances and region. We have not covered several family types or costs outside the locations included in the example families research. Time was also insufficient to adequately examine health and disability costs – and this is a significant gap.

In determining what is 'adequate', we have made various assumptions. We submit that the level of income required for adequate living standards and meaningful participation in the community should be the subject of discussion and agreement. While we have attempted to construct budgets noting a range of needs (for example, nutritional needs), we have had to use actual spending data for low-income families for some categories rather than determining what is actually adequate.

The level of income deemed to be adequate needs to be verified through robust data analysis and research, including consultation with a variety of New Zealanders through focus groups. We recommend this be done by an agency independent of government. Once the level of adequate income is established (across family types and in different locations), we expect income support levels be moved closer to such levels as soon as possible. The assessment of the adequate level of income (across family types and in different locations) should be updated regularly and income support levels adjusted accordingly.

Other recommendations include further review of the payment rates and settings for types of assistance that have not been included in the recommended package. The scale of the changes recommended in our package mean further review of this assistance is likely required, which will also provide an opportunity to better align these payments with the recommended principles. These detailed recommendations are briefly described below.

42 Split care is where each parent has the full care of different children.

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In relation to hardship assistance:

- increase income and asset limits to allow a larger proportion of low-income working people to access payments
- review and increase grant limits for items so they cover current costs (for example, the cost of emergency dental treatment)
- make a larger proportion of payments non-recoverable (for example, payments for the cost of school uniforms), to reduce indebtedness
- review the Temporary Additional Support formula, including the accommodation loading and maximum amount, so it adequately covers costs.

In relation to income definitions:

- align definitions of income and assets with those established by Inland Revenue, unless clear and robust reasons exist for different definitions – simplification and common definitions will improve understanding of the rules and reduce overpayments[43, 44]
- treat earnings-related compensation from the Accident Compensation Corporation (ACC) the same as other income from work in the benefit system, to ensure a consistent and fair treatment of income – this would replace the direct deduction based on the 'one benefit' approach currently in the legislation
- review how income is measured and allocated to people, including assessment periods and, especially the treatment of lump-sum payments, retrospective payments, joint investments and annual business income – different types of payments follow a variety of approaches, and better information around the payment of income coming from changes in the tax system provides an opportunity to reconsider these.

In relation to Childcare Assistance (including Childcare and Out of School Care and Recreation (OSCAR) subsidies):

- change the definition of income to remove other non-taxable transfer payments (that is, Accommodation Supplement, Disability Allowance and Temporary Additional Support), to make the income definition for Childcare Assistance more consistent with other supplementary assistance and remove circularity in the system (where increases in payments like Accommodation Supplement can result in people losing Childcare Assistance and being worse off overall)
- improve take-up by promoting greater awareness to working families, alongside Inland Revenue (given its role in administering Working for Families payments), because take-up of Childcare Assistance may be low (WEAG, 2019e)
- review subsidy rates and their interaction with minimum session times in childcare and OSCAR services, to determine if they are adequately subsidising costs to support labour market participation of low- and middle-income families, and increase the rates if they are inadequate
- consider increasing income thresholds to provide greater subsidisation of childcare costs for low- and middle-income working families and to ensure that effective marginal tax rates for these families are not too high.

43 Some movement towards alignment has occurred over the past decade and this should continue, where appropriate.

44 The definitions should also be updated to reflect recent court cases concerning loans and gifts.

Relationship status within the welfare system

The current system is designed around a now outdated notion of family with a primary breadwinner supporting a family on a single income. This has long since ceased to be the norm in New Zealand. Today, families are diverse in structure, and social security needs a modern and flexible definition of family that recognises this diversity. The current rules for defining who is in a 'relationship in the nature of marriage' are not working and are causing considerable harm.

At the core of the problem is that most parts of the welfare system are based on whether a person is single or part of a couple and, if part of couple, the amount the couple is entitled to receive is assessed on both partners' incomes. This is unlike the tax system, which is based on individual income. Couple-based systems bring with them two problems: the need to determine relationship status, and financial advantages and disadvantages depending on relationship status (in the current system, this is nearly always a 'couple penalty').

Recipients of MSD support and MSD staff raised the issues of the couple penalty and defining a relationship as being in the nature of marriage as problematic, causing significant stress and hardship, and being a barrier to people re-partnering, especially those with dependent children, or a health condition or disability.

We investigated the concept of individualised entitlement as a potential solution to these problems and support moves towards individualisation. However, we acknowledge that individualisation of all parts of the system is difficult to achieve while still ensuring sole parent families receive enough assistance. We do, however, recommend that the Government investigates options to bring the couple rate of benefit closer to double the single rate (it is currently 1.7 times) as well as other means of individualising the system.

We are also aware of the pressure the current relationship status rules place on people forming new relationships. Most often this affects women who are sole parents. At times, it has resulted in harsh treatment by MSD and the courts if they are deemed to have been in a relationship while still receiving Sole Parent Support, which, in turn adversely affects their children.

Relationships evolve and develop over time. A system based on dignity and trust must allow for this without putting people at risk of losing the income they need to support themselves and their children. The Welfare Expert Advisory Group recommends that a new or formative relationship be allowed a development period of 6 months from initial moving in together rather than the current 6 weeks. We regard this as a

> "I feel strongly that benefit entitlements should be individual and not allocated based on relationship status. As a single person with a permanent disability, I can never enter a relationship unless my potential partner agrees to completely support me. So I am unlikely to be able to have a relationship, and surely I have a human right to be in a loving relationship. Making me reliant on a partner also makes me more likely to suffer abuse in a relationship, and less likely to leave an abusive situation."
>
> **WELFARE RECIPIENT, DISABLED**

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fair balance between the equity issue of treating some more generously than others for a period and the need to allow people time to test whether the relationship, and often the blending of families, is sustainable and the best option for the wellbeing of the people involved.

This development period would remove some of the stress of having to commit to a live-in relationship, and subsequent reduction of family income, until parties were confident this was in the best interests of all people involved. It would also reduce the risks for people of getting a retrospective debt for a change of relationship status, because they would have a 6-month grace period during which they could discuss the new relationship with MSD without fear of debt.

As part of the move towards individualisation, the Welfare Expert Advisory Group also recommends consideration of a short-term entitlement to a benefit for partnered people in the case of loss of a job or income. This loss of job or income could result from redundancy, illness or disability, or the illness or disability of a dependent child. This entitlement would disregard the income of a person's partner for 6 months, and enable couples to have a period in which to adjust to their change in circumstances. This could also be targeted to lower-income couples by capping the earnings disregard at a family income of around $48,000 a year. This recommendation is also briefly discussed in chapter 9 (improving access to employment and labour market support).

Recommendations – key and detailed

Key recommendations

Benefits, Working for Families and supplementary assistance

Recommendation 19: Adopt the following 10 principles to redesign the income support system.

- Income support is adequate for meaningful participation in the community, and this support is maintained over time.
- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.
- Main benefits cover a larger proportion of people's living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.
- Changes to income support reduce disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes these entitlements to the broader population.
- The income support system is easy to access and provides timely support, including to people transitioning in and out of the system.
- The income support system is as simple as possible balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.

Recommendation 20: Reform main benefits by:

- increasing main benefits by between 12% and 47% as set out in table 2, page 99.
- increasing the abatement thresholds for:
  - Jobseeker Support to $150 a week
  - Sole Parent Support and Supported Living Payment to $150 a week and $250 a week.

Recommendation 21: Fully index all income support payments and thresholds annually to movements in average wages or prices, whichever is the greater. Index Accommodation Supplement rates to movements in housing costs.

Recommendation 22: Consider introducing a Living Alone Payment that contributes to the additional costs of adults living alone (without another adult) on a low income.

Recommendation 23: Reform Working for Families and other tax credits by:

- increasing the Family Tax Credit to $170 a week for the eldest child and to $120 a week for subsequent children
- increasing the abatement threshold for the Family Tax Credit and changing the abatement rate to:
  - 10% on family annual incomes between $48,000 and $65,000
  - 15% on family annual incomes between $65,000 and $160,000
  - 50% on family annual incomes in excess of $160,000
- replacing the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit with a new Earned Income Tax Credit
- introducing an Earned Income Tax Credit of up to $50 a week for people with and without children and with a couple-based income test
- making the Best Start Tax Credit universal for all children aged under 3 years.

Recommendation 24: Reform supplementary assistance and hardship assistance so they are adequate, appropriately designed and easy to access.

Recommendation 25: Require the Ministry of Social Development to, within 2 years, complete work, including commissioning independent research and focus groups, to establish a minimum income standard for New Zealand (with 5-year reviews).

Recommendation 26: Increase, as soon as possible, overall income support to levels adequate for meaningful participation in the community, as defined by the minimum income standard (which reflects different family circumstances, for example, children, disabilities and regional area) and maintain this level of support through appropriate indexation.

Passing on child support

Recommendation 27: Pass on all child support collected to receiving carers, including for recipients of Unsupported Child's Benefit.

Clarifying eligibility and relationship status

Recommendation 28: Move income support settings over time to be more neutral on the impact of being in a relationship in the nature of marriage.

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Detailed recommendations

Benefits and supplementary assistance

Theme	Detail
Main benefits	• Remove youth rates of main benefits. Increase Jobseeker Support for under 24 years living away from home (and the rate of Youth Payment) to match the rate for people 25 and older, and increase Supported Living Payment for 16–17 year-olds to the rate for people aged 18 and over. • Remove initial income stand-down periods. • Remove the 13-week non-entitlement period for voluntary unemployment. • Remove the 30-hour rule. • Introduce individual entitlement to Jobseeker Support while retaining a couple-based income test. • Keep sole parents on Sole Parent Support until their youngest child turns 18 (rather than switching them to Jobseeker Support once their youngest child turns 14). • Consider changing the name of Jobseeker Support – Health Condition or Disability to better reflect people's needs (for example, Health Support).
Hardship assistance	• Increase income and asset limits to allow a larger proportion of low-income working people to access payments. • Review and increase grant limits so they cover current costs, including for emergency dental treatment. • Make a larger proportion of payments non-recoverable (for example, those for the costs of school uniforms). • Review the Temporary Additional Support formula, including the accommodation loading and maximum amount, so it adequately covers costs.
Income definition	• Align definitions of income and assets with those established by Inland Revenue, unless there are clear and robust reasons for a different definition. • Treat earnings-related compensation from ACC the same as other income from work in the benefit system. • Review how income is measured and allocated to people, including assessment periods – especially in the treatment of lump-sum payments, retrospective payments, joint investments and annual business income.

Assistance related to children and families

Theme	Detail
Family Tax Credit	• Align shared care rules for the Family Tax Credit with child support – 35% of care. • Extend the 4 weeks 'terminal payment' to the Family Tax Credit. • Consider how increases in the Family Tax Credit should impact on the rates of Unsupported Child's Benefit and Orphan's Benefit.
Best Start Tax Credit	• Consider changing the interaction between Best Start and Paid Parental Leave to avoid overpayments.
Child Tax Credit	• Repeal the Child Tax Credit.
Childcare Assistance	• Change the definition of income to remove other non-taxable transfer payments (for example, Accommodation Supplement, Disability Allowance and Temporary Additional Support). • Improve take-up by promoting greater awareness to working families, alongside Inland Revenue (given its role in administering Working for Families). • Review subsidy rates (and their interaction with minimum session times in childcare and Out of School Care and Recreation (OSCAR) services), to determine if they are adequately subsidising costs, and increase the rates if they are inadequate. • Consider increasing income thresholds to provide greater subsidisation of childcare costs for low- and middle-income working families, so that effective marginal tax rates for these families are not too high.
Child support	• Treat child support received as income for benefit abatement (already income for the Family Tax Credit). • Treat child support paid as a reduction in income for benefit abatement (already a reduction in income for the Family Tax Credit). • Remove compulsory application for child support (except for recipients of Unsupported Child's Benefit). • Shorten the application form and make more application options available (for example, online). • Review the expenditure table to reflect changes in Family Tax Credit payments.
Shared care	• Align shared and split care rules for main and supplementary payments with the Family Tax Credit and child support.

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Clarifying eligibility and relationship status

Theme	Detail
Ensuring benefit settings have less impact on partnering decisions	• Allow a 6-month period (rather than the current 6 weeks) after people move in together as a couple before a relationship is deemed to exist for the purposes of determining benefit eligibility. • Do not deem two people who do not live together as being in a relationship for the purposes of welfare support. • Investigate other moves towards greater neutrality in respect of relationship status, including increased individualisation of benefit entitlement, bringing the couple rate of benefit closer to two times the single rate, and improving alignment between the approach taken by MSD and in other legislation. • Consider introducing a short-term entitlement (for example, 6 months) to a main benefit for partnered people who lose their jobs or incomes (due to redundancy, a health condition or disability, or a health condition or disability of a dependent child) through an earnings disregard of their partner's income (up to a cap of around $48,000 a year) for this period.

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08 Alleviating the housing conundrum

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Housing policy and affordability both impact on the welfare system and are critical to it. If people do not have secure homes, they cannot be realistically expected to move off benefits, engage with the labour market and enjoy good health. Likewise, if the cost of renting takes half a beneficiary's or a low-paid worker's income, then families are left in poverty and insecurity and/or may crowd into homes, resulting in stress and ill health. Growing up in such an environment is particularly detrimental to children.

> *"At present New Zealand housing costs are a huge burden on household budgets that is eroding the health, security and welfare of beneficiaries and many other households."*
>
> **PAST WELFARE RECIPIENT**

Unfortunately, housing in New Zealand has become unaffordable for many people, and there are not enough houses. The Government has recognised there is a systemic housing crisis and has begun to address it. House price inflation in the past 5 years was double that of incomes.

The current welfare system is inadequate to meet households' reasonable financial needs, hence our recommendations to raise benefit rates to a more adequate level. However, there is a danger this solution could increase housing inflation and substantially reduce the effectiveness of the benefit increases in improving wellbeing, if the systemic housing problems are not addressed. The housing crisis is also contributing to the growth in inequality in New Zealand by denying low-income families the only chance most have of acquiring an asset base. This has many implications, not the least of which is the danger of future widespread poverty for older citizens as younger cohorts age with low levels of home ownership and a long-term dependency on the rental market for housing. Vulnerable people need secure, affordable, tenure options including renting, owning and shared equity across the life cycle (WEAG, 2019d; 2019i).

Housing is a critical component of good welfare policy

The Accommodation Supplement and other housing subsidies will be required as long as low-paid workers and benefit recipients receive inadequate incomes and are unable to access affordable, secure housing. It follows that the welfare system has an abiding interest in ensuring good housing outcomes. A demand-driven payment like the Accommodation Supplement will continue to grow exponentially unless the housing crisis is resolved.

However, the welfare system cannot be expected to implement all or even most of the changes required in housing policy. The welfare system needs to be contributing to the direction of the systemic changes required, because many of the individuals and families most affected by the housing failure are recipients of welfare. The way housing is planned, funded and implemented profoundly impacts on welfare recipients.

A good welfare policy:

- will recognise that a successful welfare system depends to a considerable extent on the fundamental security families experience from shelter and place
- will work to ensure everyone has access to affordable and secure housing for their healthy growth and development
- will recognise that housing tenure has a profound effect on people's sense of motivation and self-determination, provide low-income households with a choice of tenure, including renting, shared equity and home ownership
- could consider the housing assessment and allocation process for public housing so there is an appropriate balance between placing locals waiting to be housed and high-needs households from outside the region
- could consider evidence-based approaches to reducing homelessness.

Boosting housing supply is critical

The critical aspects of the systemic housing problem in New Zealand are a lack of supply, a crisis of affordability and substandard houses (cold, damp and mouldy). While housing is critical to wellbeing and plays a central role in the social security system, our scope and terms of reference were necessarily limited. Nevertheless, we are compelled to make the following observations.

First and foremost, there is a critical shortage of affordable housing for low-income New Zealanders, especially for those currently on public housing waiting lists. Disabled people are also particularly disadvantaged in securing affordable housing. Given the volume of affordable housing needed, the state has a central role to play in the building of such housing. The state is the only entity that has the necessary scale and resources to make the urgent and immediately needed inroads into building a sufficient quantity of affordable houses. The state must urgently expand and accelerate its efforts to build more affordable housing on an industrial scale, to meet the known need for such housing.

> *"Housing support should be integrated as far as possible with the social welfare system, to ensure that social and housing support is provided in a wraparound fashion to provide adequate support around children and families."*
>
> **BARNARDOS**

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Nevertheless, the role of the 'third sector' community housing and innovative solutions should not be overlooked. Many other countries have developed a third sector of community not-for-profit housing providers as well as local authority providers. Furthermore, these providers and the state could allow for tenure choice, such as assisted home ownership and renting options for low-income households.

Innovation could include:

- further developing a third sector of non-profit community housing providers able to deliver secure rental and home-ownership options for low-income families
- realistic options for Housing New Zealand to develop affordable homes for renting, shared equity and ownership
- culturally appropriate development options for Māori and Pacific households reflecting household size and function, and including papakāinga options
- improving public and private rental housing with laws and regulations that support healthy homes and housing security, decent standards of housing quality, affordability and accessibility
- enabling low-income families to develop an asset base, if they so choose, through options such as secure low-interest loans, rent-to-buy schemes, shared equity and other forms of microfinancing
- a realistic definition of housing affordability that is proportional (25–30%) to household incomes in the lower half of the household income range
- asset tests and abatement rates that do not disincentivise home ownership or employment
- affordable, healthy, well-insulated housing developments with universal designs that greatly improve life for many disabled people and work well for the rest of the population.

As the supply-side measures increase and affordability improves, it will be important to review the roles of MSD, Housing New Zealand and the Ministry of Housing and Urban Development, to consider whether an integrated, single-agency approach to housing might be preferable. Housing services could be more efficient if they were dealing with building, maintenance, social support and finance and facilitating home ownership together, as occurred previously. Reinstating their former role of having a clear responsibility to house people unable to afford it in the market and provide pastoral support for those who need it could prevent many of the systemic problems that have grown over the past three decades.

Current housing support is expensive

Housing support is a significant component of income support provided by the welfare system.

Currently, not including New Zealand Superannuation, the largest single benefit cost in the welfare system is Accommodation Supplement. When Accommodation Supplement, Temporary Additional Support (which is used primarily to meet heightened ongoing housing costs) and the Income Related Rent Subsidy are added together, they are projected to total $2.7 billion in 2018/19 and represent 3.1% of total Crown baseline expenditure. This is despite not everyone claiming their full entitlement because take-up of Accommodation Supplement among low-income working families is less than it could be (WEAG, 2019d; 2019e).

The subsidies provided through the welfare system are demand-side supplements that continue to increase in a housing market that is overpriced and undersupplied and where these factors are worsening. These subsidies simply increase with rent inflation and, some make the case that in all probability, contribute to higher housing costs. However, these subsidies could not be removed, given the current housing market, without increasing poverty and homelessness.

A redesign of all housing support, including Accommodation Supplement, would be ideal but such a significant redesign may require significant 'grandparenting' so current recipients are no worse off. However, a significant increase in the levels of main benefit payments towards income adequacy should reduce the need for such large expenditures on housing-related support.

At the end of this chapter, we set out, in the detailed recommendations, areas for improvement within housing support that should be pursued or considered further. Further analysis would be required on the impact of change on low-income families that we could not do in our timeframe.

An important aspect is to ensure levels of housing support reflect the principles for income support design discussed above, particularly maintaining the relative value of the payments over time, encouraging people to move into and remain in paid work and ensuring they receive their full entitlement.

To improve the impact of housing subsidies on low-income families, the Welfare Expert Advisory Group recommends:

- extending the period before income-related rent for public housing is increased following a move into paid work
- reducing the co-payment rate for Accommodation Supplement
- moving towards providing the same support to renters and homeowners (by changing the entry threshold to Accommodation Supplement)
- addressing gaps in housing support for students.

Another significant issue is the levels of cash assets a person is allowed before losing their Accommodation Supplement. These levels were set decades ago and have not been adjusted. It means any attempt to save for a home results in a loss of housing support, which makes it even harder to save for a home. The Welfare Expert Advisory Group recommends cash asset levels must be immediately increased to at least $42,700 (the cash asset level for public housing) and further increased to allow people to be able to save for a mortgage deposit on a median-priced home. The cash asset abatement test should be removed, with housing support abated solely on income.

In all, the combination of changes to income support, housing support and abatement rates should make low and low–middle income households substantially better off.

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Recommendations – key and detailed

Key recommendations

Recommendation 29: Urgently expand and accelerate Government efforts to substantially increase public housing on an industrial scale and continue urgent efforts to end homelessness.

Recommendation 30: Increase the range of home ownership and tenure options for people on low and low–middle incomes.

Recommendation 31: Increase the capacity of third-sector community-based housing providers.

Recommendation 32: Develop and enact laws and regulations to ensure healthy homes and housing security, decent standards of housing quality, universal design, and accessibility

Recommendation 33: Subsidise housing costs for people on low incomes (in addition to raising main benefit rates to provide an adequate income) and ensure the combination of changes to housing support and abatement rates make households better off.

Recommendation 34: Improve access to affordable, suitable housing support for people on low and low–middle incomes, including a range of affordable home-ownership products and papakāinga housing.

Detailed recommendations

Theme	Detail
Subsidising housing costs for those on low incomes	Housing subsidies could be improved by: • extending the period from 2 months to 6 months before income-related rent for public housing is increased after the tenant moves into employment • changing the way Accommodation Supplement payments are calculated, so indexing maintains relativity with housing costs, and removing differences between renters and homeowners. Specifically in relation to Accommodation Supplement: – increasing the maxima to the median regional rental rates (for the latest year available) – reviewing the maxima and the area locations annually to maintain the value of the payments with changes in median rental rates in different parts of the country over time – decreasing the co-payment rate from 30% to 25% (that is, increase the Government contribution from 70% to 75%) – decreasing the entry threshold for homeowners from 30% to 25% to align with renters – allowing people who are studying (and meet the criteria for Student Allowance) but who do not receive Student Allowance, to apply for Accommodation Supplement. Increase the cash asset limit on Accommodation Supplement to $42,700, to align with the cash asset limit for social housing: – index the cash asset limit to maintain relativity over time – remove the cash asset abatement test for Accommodation Supplement – amend the definition of cash asset to exclude the proceeds from the sale of a house, for a reasonable period, to allow the person to re-enter the housing market, taking account of any special requirements or modifications the person or their family may require to a house. Improve the take-up rate of Accommodation Supplement and Temporary Additional Support for non-benefit recipients through greater cooperation with Inland Revenue, better use of its information, and increased publicity and proactive activity. Increase the flexibility in the requirement to review and renew Temporary Additional Support when assessments relate to housing costs, with reviews between 3 and 12 months tailored to individual circumstances, and accordingly rename, such as 'Tailored Additional Support'. Ensure the combination of changes to housing support and abatement rates, alongside other income support, make low- and low–middle income households substantially better off.

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Theme	Detail
Government to undertake further work	Determine the impact on low-income households of maintaining levels of Accommodation Supplement for a reasonable period for beneficiaries who move into full-time work, so they are well supported to remain in work and able to clear debts and build savings, similar to the recommendation on income-related rent subsidy. Change the way Accommodation Supplement payments are calculated to move away from family size to being based on the number of bedrooms, including allowing bedroom space for a disability support person and for children in shared custody, and determine the impact of this change on low-income households. Review the level of the cash asset limit for the income-related rent subsidy and Accommodation Supplement, to maintain the principle that it allows people to save for a mortgage deposit for a median-priced house. Review, as the supply-side measures increase and affordability improves, the roles of MSD, Housing New Zealand and the Ministry of Housing and Urban Development to consider whether an integrated, single-agency approach to housing might be preferable. Review the housing assessment and allocation process so there is an appropriate balance between placing locals waiting to be housed and high-needs households from outside the region.
Home ownership and tenure options and ending homelessness	Consider the following approaches: • facilitate innovative thinking and action to increase home ownership through rent-to-buy schemes, shared equity schemes, low-interest rate loans or fixed mortgages, microfinancing and similar • request Housing New Zealand to develop affordable options for tenants to purchase their state house. These approaches must be based on achieving equity in housing outcomes, including ownership, for Māori and Pacific People. This should result in culturally appropriate rental and ownership housing, including household size and function, and include papakāinga options.

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09 Improving access to employment and labour market support

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Work is an important part of life for most New Zealanders. For nearly all of us, paid work – our own, our parents', our partner's – is our main source of income. Work is also one of the main ways people participate in society.

Good employment can transform lives, especially for families where welfare receipt and poverty are entrenched. It is also fundamental to better economic outcomes and contributes to improved living standards for all New Zealanders. Suitable, 'good work'[45] is work that supports wellbeing. It is work that is well rewarded and safe, and where workers have some reasonable control over how they complete their work. It is work where workers have some confidence in the amount of work and, therefore, the income they will receive. This is not the case for many New Zealanders (OECD, 2018b).

Skills are increasingly important to labour market participation and productivity in New Zealand, as in other OECD countries. A significant proportion of those on working-age benefits have obtained no or few educational qualifications. Skilled workers adopt innovations earlier and are associated with greater firm investment in knowledge-based assets, but New Zealand has a high incidence of skills mismatch and, consistent with this, among the lowest returns to education in the OECD (Conway, 2018).

While paid work remains as central as it ever was, *how* we work has changed dramatically since the Social Security Act 1964 and continues to change. The welfare system needs to be updated to fit the changes that have already occurred, the flexibility to cope with future change, and to support productivity and wage growth. In this chapter, we discuss what those changes should be.

Good employment can transform lives, especially for families where welfare receipt and poverty are entrenched.

45 We use the term 'good work' in this section that picks up on aspects of 'decent work' as per documents from the International Labour Organization, 'meaningful' as per the *He Ara Oranga* mental health inquiry report and other descriptors such as 'appropriate' and 'suitable'.

Paid work and the social security system

The welfare system has three critical roles in relation to paid work and the labour market. First, and most fundamentally, it provides income security when people do not have an income from work. Second, a well-designed welfare system provides financial incentives for working. Current problems include poverty traps that mean some people have little or nothing to gain financially from seeking to increase their income through additional paid work. These two roles are discussed in chapter 7 (page 94). Third, alongside income support, an effective welfare system provides employment support, for example, active labour market programmes (ALMPs) and other assistance that help people get into work, stay in work, and increase or adapt their skills to meet labour market opportunities. This aspect of the welfare system has been badly neglected in recent years. The current approach has focused too narrowly on reducing the number of people on benefits and short-term fiscal costs with insufficient regard for the suitability of the jobs people go to, of people's and their family's wellbeing, or for the support required to find or remain in work. Changes to address these issues are discussed below.

> *"There is a lack of understanding shown by staff and policies as to what actually constitutes 'suitable work' for different people and their circumstances and situations."*
>
> **PAST WELFARE RECIPIENT**

Delivering effective employment support

Delivering effective employment services is a challenging task. The assistance provided must be tailored to the needs of the person, their family circumstances and the labour market opportunities in the area where they live. Some people only need adequate income support short-term to allow them time to find a good match for their next job. Others face multiple disadvantages, such as health conditions and disabilities, or lack of qualifications, functional illiteracy (including digital and technological literacy), experience and skills. The system must recognise these disadvantages and provide the appropriate types of employment supports. The long-term returns, both economic and social, will far exceed the short-term costs of investing in people in this way (WEAG, 2019j).

We note the especially poor employment outcomes for Māori, Pacific People, young people and people with health conditions and disabilities. These are inequalities that ought not to exist and, while not all of the problem is due to the system, a sustained and substantial increase in investment in education, training and effective ALMPs would better reflect a whakamana tāngata approach.

We are similarly concerned about other groups of workers. In particular, too many people are 'churning' on and off benefit, without moving onto a pathway into good and sustainable work. This group needs more ALMP support, including post-placement support, to help them stay in work. Further, assistance for people displaced from their jobs (for example, through redundancy) is limited, and wider labour

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market protections for displaced workers are lacking. Most people experiencing redundancy generally reattach to the labour market, but they appear to pay a permanent penalty, having poorer long-term outcomes and lower earnings than comparable workers who do not lose their jobs (Dixon & Maré, 2013; Hyslop & Townsend, 2017). This is exacerbated by the stand-down provisions that apply before a person is eligible for a benefit, which we recommend are eliminated (see detailed recommendation table in chapter 7 on Main benefits, page 116). Even in the present strong labour market, this is a gap; in weaker economic conditions or if (when) the rate of redundancy rises due to technological change, it has the potential to become a crisis for those affected.

> *"Better job seeker support than there is currently – as in actual support to find a job, not just saying 'oh yeah have you tried looking on Trade Me jobs? Or Seek?'"*
>
> **WELFARE RECIPIENT**

Social security must be prepared for an uncertain future of work

The nature of work is changing. The welfare system needs to respond to employment changes brought on by the growing use of robotics in manufacturing and digital technologies (the 'fourth Industrial Revolution'), the gig-economy, and New Zealand's transition to a low-carbon economy. The magnitude of these changes cannot be predicted with confidence, but major job losses and considerable structural change in the labour market are virtually certain. Technological advances represent a huge economic opportunity but will also be highly disruptive for many workers. As a nation, we must be prepared to reinvest some of the gains from the new economy in ensuring the disruptive negative side of these changes is not borne unfairly by those whose skills and job opportunities are in decline. This requires an active response by governments as well as employers.

The Government has significant initiatives under way to respond to the future of work, including the broad work programme of the Future of Work Tripartite Forum, and has established the Just Transitions Unit in the Ministry of Business, Innovation and Employment (MBIE). It is important this work continues and the outcomes and findings inform the ongoing development of the welfare system.

The future of work raises major questions around the mechanisms that deliver income to the population of a nation. The current social security system is based on paid employment as the primary mechanism for providing income, augmented by income from the state through the welfare system when required. The issue of a citizen's wage or universal basic income was raised in consultation hui and submissions made to us.

Views differ about universal basic income systems. Some argue that, in the future, traditional paid employment may not be sustainable as the major income source for people, so other mechanisms, including and beyond tax transfers, will need to be developed (Standing, 2009).

Others question whether a universal basic income could deliver enough income to those in the most need, especially under the current tax system (Fletcher, 2011; Stephens, 2019). This important, and ongoing debate requires a clear understanding of what an adequate income is and the future role of work. The Welfare Expert Advisory Group recommends a mechanism for establishing what an adequate income level is (see recommendation 25 in chapter 7, key recommendations, page 115).

To be prepared for an uncertain future of work, the welfare system needs to provide employment services that are effective in enabling transitions. Displaced workers (or 'at-risk' workers) need dedicated support, including retraining and skill-enhancement opportunities and other ALMPs, as well as easy access to income assistance that supports them through the transition. We see these supports as desirable even without the drivers of a changing nature of work.

Early intervention is preferable

To minimise human and social costs and to have a better chance of success, early intervention is preferable, before people enter the welfare system. Early intervention includes ensuring people stay in good and appropriate work or in worthwhile education or training. As the OECD's Jobs Strategy notes, the best way of promoting an inclusive labour market is by addressing problems before they arise (OECD, 2018a).

Early intervention reduces the loss of income, disruption, the loss of productivity and worsening of health conditions that can result from long periods on benefit. Early intervention is also more likely to be effective, since the longer a person is out of education, training or employment, the more difficult it is to support them back to these pathways.

The best opportunities for preventative interventions lie outside the formal welfare system. These interventions include effective education (so young people leave school with skills and a plan), early health support for emerging conditions (regardless of cause), and prompt support for workers at risk of displacement. This is why we recommend a wider active labour market approach, with MSD as a key stakeholder in the labour market 'ecosystem'. MSD is not, and cannot be, responsible for all the interventions that influence labour market outcomes. Many of those interventions – especially education and training, and health care – are led by other agencies. But MSD needs to partner closely with those agencies to reduce the flow of people into the benefit system and to ensure high-quality and sustainable outcomes for people leaving the system.

> *"I love their [MSD's] in work support line. Been there since 2016 and it could really have helped me when I unfortunately had to go back on a benefit. I didn't know about it till a month ago. It has been invaluable and makes me feel worthwhile and not a bludger."*
>
> **WELFARE RECIPIENT**

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Access to affordable and suitable housing – while not a labour market intervention in itself – is a critical precondition for a person to find and remain in work. Affordable transport between home and work is also crucial.

For working-age parents, especially sole parents, access to affordable, good quality childcare is also a prerequisite for participation in education, training or work. The welfare system provides some financial assistance to those on lower incomes to access childcare, but cost and lack of services are still barriers to many mothers' participation in education, training or work (Ministry for Women, 2018). Overseas estimates indicate that childcare subsidies and expanded early childhood education supply increase maternal employment by 7–14% (Mitchell et al, 2008). Effects are larger for low-income groups and those disadvantaged in the labour market (OECD, 2011).

The education and training system is a particularly critical interface for welfare. Education and training provide people with the skills to be more attractive to employers and to participate effectively in the labour market. Poor school outcomes and gaps in the support to transition often lead to young people not connecting with employment or tertiary education and increase the likelihood of their entering the welfare system. Increasing functional literacy (including digital and technological literacy) would create many advantages for not just the individual and their family but the employer and the economy.

The government provides a broad range of free or highly subsidised education and training services, especially for young people, and, *overall*, New Zealand has a good-quality state education system. However, compared with other OECD countries, New Zealand also has a large proportion of young people who leave school early and who do not achieve basic secondary school-level qualifications (Agasisti et al, 2018). Those with no school qualifications are likely to spend considerably more time on benefit than those who achieve at least National Certificate of Educational Achievement (NCEA) Level 3. For example, work-ready job seekers in the benefit system who have not attained NCEA Level 1 at school are estimated to have more than twice the expected future years on main benefits than those with NCEA Level 3 or Level 4 – half of this impact is directly attributable to education (Taylor Fry, 2017). This highlights the importance of improving secondary education outcomes and having better school-to-work transition programmes. We are encouraged in this regard by many of the recommendations of Tomorrow's Schools Independent Taskforce (2018), especially its focus on achieving better outcomes for those students currently being failed by the school system (Tomorrow's Schools Independent Taskforce, 2018).

Given the young age structure of the Māori and Pacific populations, there are significant demographic dividends to be gained for the nation, as well as individuals, from improving outcomes for young Māori and Pacific People. A much greater commitment to long-term, high value education and training programmes for people on benefit is required. Again, this is an example of expenditure that is not only beneficial for the individuals directly concerned but is also important economically as part of moving New Zealand to a high-wage, high-skill and highly productive economy.

We recognise the, appropriately, major emphasis across government and within MSD on young people, especially those Not in Employment, Education or Training (NEETs). However, youth employment initiatives are uncoordinated, scattered across many agencies and patchy throughout the country. Although major resources are allocated to this area, we heard numerous examples of initiatives not achieving desired results. Over 11% of young people (15–24 years) are NEET, and this figure has remained more or less constant for many years (Statistics New Zealand, 2018). We heard mixed views on MSD's Youth Service and supports provided to recipients of Youth Payment and Young Parent Payment. The contracted service providers should become advocates and support people for Youth Service clients and not have conflicting 'gate-keeper' and sanctioning aspects

in their role. Youth Service clients should have direct access to MSD for income support, just like any other person on benefit. We are also persuaded by the recent review of compulsory income management in the Youth Service system that this aspect of it serves no useful purpose and should be discontinued (Humpage, 2018).

Rebuilding a core employment service

Achieving better employment outcomes will not be easy, especially for those people facing many disadvantages. The thrust of our recommendations is to rebuild the core employment service functions and ALMPs within MSD that have been allowed to weaken over many years and to place greater emphasis on early intervention, provision of specialist employment support, and ongoing pastoral and mentoring support where needed.

From our consultation, especially with those who have been working for some time in the welfare system, we found that a weakening of labour market policy and delivery occurred following the 1998 merger of the Employment Service of the Department of Labour with the Income Support Service of the Department of Social Welfare to form the one-stop Work and Income New Zealand (WINZ) and, subsequently, the Ministry of Social Development. We have been told that, over time, the public employment service function became the poor cousin of the income support role. MSD no longer has a specialist employment support profession, and the existing work-broker role has become too 'employer-facing', providing recruitment services for employers rather than the best quality placement for jobseekers. Case managers perform both employment and income support roles. These are very different activities that call for different skills and knowledge. The merging of functions is also reflected in MSD's leadership arrangements, in that no senior leader is solely responsible for employment outcomes. Instead, responsibility for the entire service delivery function (including MSD's other services apart from Work and Income) lies with the Deputy Chief Executive for Service Delivery. We do not wish to lose the advantages of the 'one-stop-shop' model, but we do want to see a specialist employment case management service, with strong leadership restored within MSD.

In reality, the income support function has crowded out the employment function.

In reality, the income support function has crowded out the employment function. This is due to the understandable priority of ensuring income and housing support, in an environment of stretched departmental resources and a lack of government-level commitment to public employment services and programmes. MSD's analysis shows that, while staff numbers have been falling, demand for income support services (such as Hardship Grants) has risen rapidly (reflecting inadequate payment levels). Administration of Hardship Grants and Supplementary Assistance now comprises over 40% of total case management time, making it the single greatest demand on case

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managers' time. The result is a substantial decrease in the amount of time able to be devoted to employment support. In June 2014, employment-focused case managers engaged proactively with 50% of their clients every month to support them into employment. This has fallen to an all-time low of 19%, and, over the past year, has continued to drop by an average of one percentage point per month.

During consultation, we heard that accessing financial assistance to support the transition into work (Transition to Work Grant) was difficult. There was no ability to complete this online. To access the assistance, those who have moved off benefit into work are required to attend a face-to-face meeting with a case manager, usually requiring time off work. Such assistance needs to be more accessible, to support sustaining work in the early days.

Other aspects of the current system are not working for either employers or potential workers (being benefit recipients from within the benefit system). Employers complain that MSD often offers them a large number of unsuitable candidates for positions and note that they would much rather have workers who are genuinely interested in their positions. MSD clients complain that their employment aspirations are often ignored, and, in recent years, there has been too little focus on efficient job matching. MSD staff and their union (the Public Service Association) told us that MSD key performance indicators emphasise moving a client off the benefit rather than ensuring a skilled and motivated client is placed into a good job. This is also leading to poor employment outcomes and people returning to welfare support.

Furthermore, New Zealand's spending on ALMPs is far below the level needed to provide the bridge between benefit and paid work that many people need. ALMPs comprise:

- services that improve the matching of people to jobs (that is, job brokering)
- training, skill development and work readiness programmes
- job subsidy and job creation programmes.

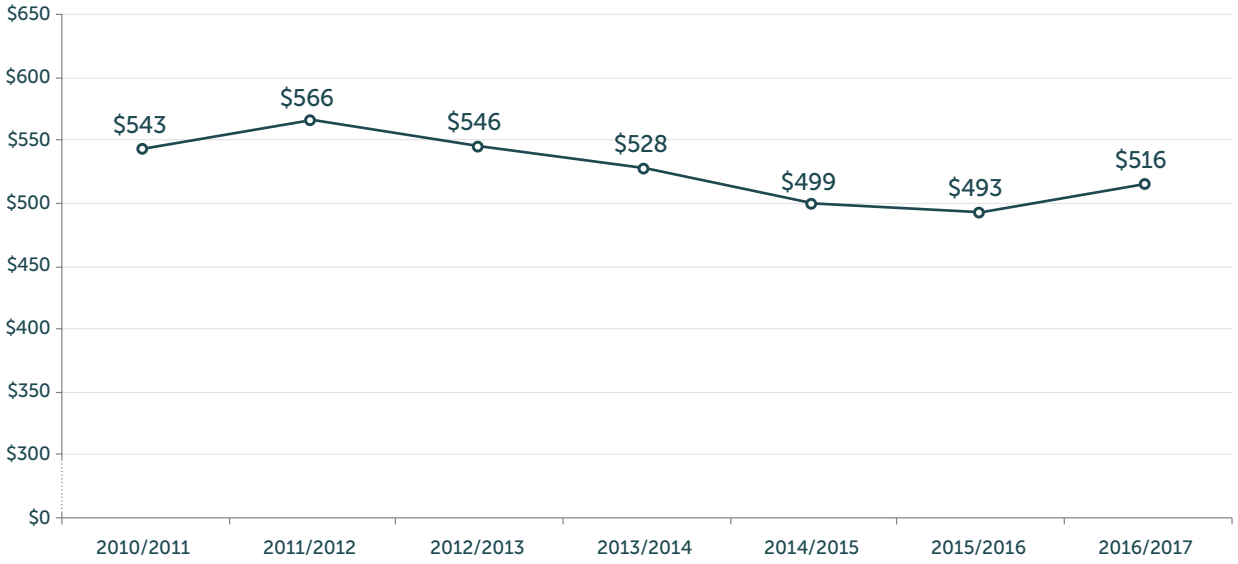
ALMPs need to be carefully evaluated because some are more effective than others, and some are more appropriate for different labour market conditions or different groups.

New Zealand is among the countries with the lowest spending on ALMPs in the OECD, and this spending has been falling for a long time. Figure 5 shows the fall in employment assistance spending administered by MSD. Employment assistance is a broader category than ALMPs.

Figure 6, produced by the OECD, shows a steady decline in New Zealand's active labour market spending over 25 years, reflecting a lack of commitment to investment in support for using ALMPs to provide better pathways out of unemployment (OECD, 2018b).

MSD clients complain that their employment aspirations are often ignored, and, in recent years, there has been too little focus on efficient job matching.

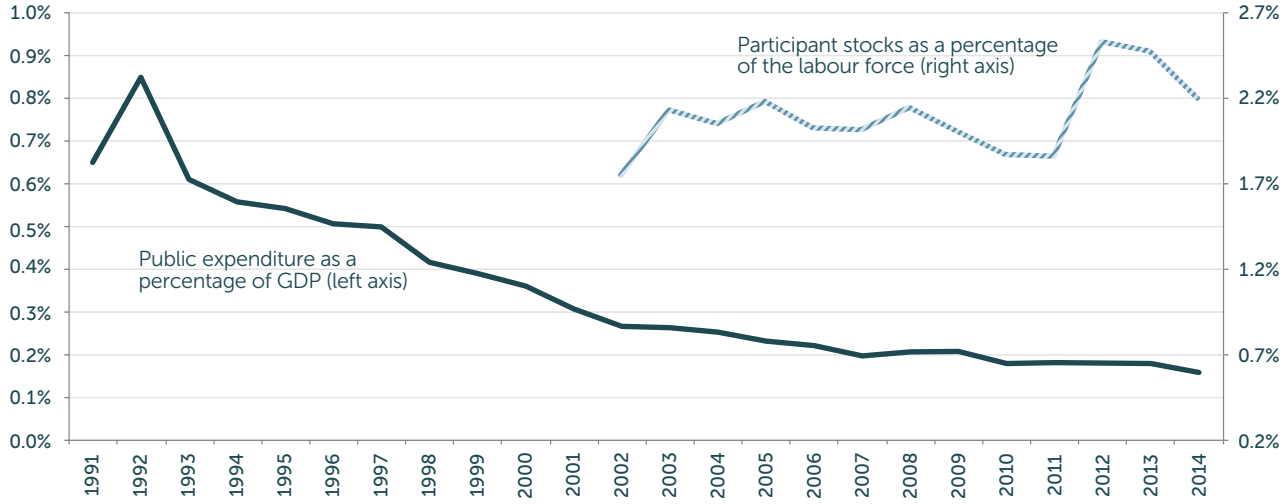
Figure 5: Total expenditure on discrete employment assistance interventions (millions), 2010/11 – 2016/17 financial years



Values are in millions of dollars, expressed as nominal values (not CPI adjusted).

Source: (de Boer & Ku, 2019).

Figure 6: Active labour market spending in New Zealand, 1991–2014



Source: OECD/Eurostat Labour Market Programme Database (http://dx.doi.org/10.1787/data-00312-en)

Note: GDP = Gross domestic product. Data covers categories 2 to 7 of active labour market measures and does not include data on public employment services and administration.

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ALMPs should support people at risk of poor labour market outcomes such as unemployment, recurrent periods on welfare support or being trapped in low-paid work. They should also support the growing number of people likely to lose their jobs due to rapid technological change and climate change. People in these circumstances will often, but not always, be receiving income support from the welfare system. Both the OECD and International Labour Organization stress the importance of effective ALMPs to support disadvantaged workers (Avila, 2018; OECD, 2018b).

Support for displaced workers is particularly weak. Compared with OECD best practice, New Zealand has an inadequate system of dealing with job loss, redundancies and labour market shocks (OECD, 2017). Redundancy pay is not required by law, the stand-down provisions between work and benefit entitlement see many workers and families plunged into poverty. In addition, eligibility for income support is based on family income, and workers may be ineligible for income support following job loss and redundancy if they have employed partners. This means a household can find itself losing more than half its income due to one partner losing their job but having no income support available through the benefit system. For many low-wage families, two incomes are required to get by and cover rent and other living costs. To alleviate this problem, the Welfare Expert Advisory Group recommends that workers made redundant or who lose their jobs should be entitled to welfare support for 6 months without regard to their partner's income (up to some cap, so that, for example, the first $48,000 of a partner's income is disregarded).[46] This would help families affected by redundancy where they have no (or too little) redundancy entitlement.

Support for displaced workers is particularly weak. Compared with OECD best practice, New Zealand has an inadequate system of dealing with job loss, redundancies and labour market shocks (OECD, 2017).

The OECD and others highlight the need for active labour market programmes at the time of redundancy or job loss to ensure the smoothest possible transition to new employment (OECD, 2017). This can be achieved through better income support and ALMPs such as retraining. Some of the best practice ALMPs come from countries that operate a social insurance model of unemployment support with strong and entrenched social partnership employment relations. Although we do not recommend changing our social welfare system to a social insurance model, New Zealand can learn much from the ALMP component of such models.

We are also struck by the poor coherence across government active labour market, labour market, employment and training policies. There is little joining up of the work of MSD, MBIE, Tertiary Education Commission, Careers New Zealand, polytechnics and industry training organisations, and regional development and local government strategies. The responsibility for labour market policy and analysis is

46 Refer to the detailed eligibility recommendations in chapter 7, Achieving security requires adequate income.

with MBIE, which also runs a handful of small ALMPs, but there is little alignment between the ALMPs of MBIE and MSD. This must be rectified as a first step.

The point was made to us in many consultations that labour markets are regional (or even local), but the statistics, analysis and development of programmes are mostly undertaken nationally. Many labour market statistics are produced nationally; their usefulness at a local level was often questioned. Greater flexibility in the system would enable ALMPs to respond to regional or local needs.

Relatedly, the current 'remote location policy' that restricts people from moving to, or being granted a benefit if they live in, rural locations considered to have limited employment opportunities needs review. We heard it limits the opportunities for regional economic growth and development because a pool of labour is not available in these areas to enable businesses to establish, expand and grow. This policy also affects people being able to return to their communities of origin at times when they need support, and it can fragment families and rural communities.

Finally, the current lack of government or community job creation programmes was mentioned in some consultations. Participants pointed to the old Project Employment Programme as being a major contributor to personal wellbeing at the time, as well as teaching skills, keeping a work ethic intact, undertaking socially useful work and being a pathway to a permanent job in the labour market. Participants commented on the pride they still feel in having rebuilt a wharenui or constructed a Department of Conservation track.

Some forms of government and community sector employment programmes need to be restored and modernised. Internationally, use is growing of 'social enterprises' that bring together business, social, employment, cultural and environmental goals (Blundell, 2017). We note that the Department of Internal Affairs[47] provides some support for social enterprise. This needs to become part of the overall active labour market ecosystem.

47 Refer to https://www.dia.govt.nz/Social-Enterprise-Sector-Development-Programme.

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While we are critical of the lack of a coherent active labour market policy, we are heartened by changes we saw during our review, including:

- the He Poutama Rangatahi[48] and Mana in Mahi[49] programmes, with emphasis on young Māori and combining work, training, mentoring and pastoral care
- work being developed in MSD, including the new ALMP focus of the Auckland region of MSD and new ALMP strategies being developed in the Industry Partnership section of MSD
- city, district and regional councils undertaking their own labour market analysis and developing labour market strategies, many in combination with their regional growth strategies
- the work of Auckland Council's Southern Initiative using council procurement policies to ensure positive labour market outcomes.

An effective employment service

Our view of what an effective employment service would look like is fundamentally different from the current approach that focuses principally on the 'on-benefit' phase, seeks to deter entry on to benefit and to encourage exits irrespective of the outcome. Our approach starts before that and continues after it. The welfare system employment support needs to include:

- partnering with other stakeholders, to support people who have been displaced from work or who are at risk of becoming unemployed or entering the welfare system
- supporting people in the welfare system to enter good jobs using a variety of retraining and other ALMPs
- supporting people through mentoring and coaching after they have moved into work, to help them maintain employment.

This model is illustrated in figure 7.

Figure 7: Effective employment service support model

At risk →	On a main benefit →	In work, education or training →
Welfare system partners with other government agencies, employers, unions and other stakeholders to support people at risk of entering the benefit system to remain in work.	Welfare system supports people into suitable employment, education and training.	Welfare system provides ongoing post-placement and training support in conjunction with the employer.

48 Refer to https://www.growregions.govt.nz/about-us/he-poutama-rangatahi/.

49 Refer to https://www.workandincome.govt.nz/products/a-z-benefits/mana-in-mahi.html.

Within this framework, we consider a more effective employment service would:

- be proactive (for example, early engagement with active, agile and timely services) with a focus on those most at risk of poor employment outcomes
- focus on long-term employment outcomes (good and appropriate work matched to a person's aptitudes and interests) with pastoral and mentoring support where needed
- be led by a dedicated deputy chief executive at MSD
- be client-focused and personalised (for example, work expectations linked to wellbeing and family needs)
- involve expert employment case management
- increase substantially expenditure on a portfolio of evidence-based ALMPs and services informed by all relevant outcomes data
- be driven by local labour market conditions and informed by local labour market data
- be well placed for a future labour market in which more people might transition more often in and out of work and the need is greater to support workers to re-skill or up-skill (for example, due to displacement or to move out of casual work)
- be embedded in a coordinated government-business-union social partner approach to active labour market policy that aims to keep people in employment or in relevant and effective education and training
- involve local government, iwi, and employer and union social partners, as well as central government, in the design and implementation of ALMPs to ensure they relate to local and regional labour market conditions
- be attractive – a service that all New Zealanders needing employment support feel welcomed by and are happy to engage with.

The focus of the service should be on supporting people into good and sustainable work that matches their aptitudes and interests.

> *"There is a need for increased focus by MSD and Work and Income on employment assistance, training, and the acquisition of new skills to respond to the changing world of work."*
>
> **NEW ZEALAND COUNCIL OF TRADE UNIONS**

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Recommendations – key and detailed

Achieving better employment outcomes will not be easy. The welfare system provides employment support to some of the most disadvantaged New Zealanders. Our recommendations seek to improve their chances of being employed in good and appropriate work.

Our principal recommendation is to rebuild core employment service functions that have been allowed to weaken over many years and to embed these in a wider active labour market system.

The Welfare Expert Advisory Group recommends an enhanced emphasis on early intervention (with partners), provision of specialist employment support, and ongoing pastoral support where needed. This is an approach to effective employment services and active labour markets that is more aligned with the OECD's Jobs Strategy (OECD, 2018a).

Key recommendations

Employment support

Recommendation 35: Establish an effective employment service of the Ministry of Social Development so it is better able to assist people to obtain and keep good, sustainable work.

Recommendation 36: Revamp active labour market, labour market, employment and training policies across government to make them more coherent and effective.

Recommendation 37: Strengthen the Ministry of Social Development's redundancy support policies to better support displaced workers.

Supporting youth to engage in education, training or paid work

Recommendation 38: Abolish, in the Youth Service, compulsory money management, and separate case management from youth mentoring so it is consistent with and has a positive youth development focus.

Recommendation 39: Use evidence-based approaches that support young people to be learning, earning and, where young people are parents, caring. These approaches need to build on the strengths of young people and provide a basis for their long-term engagement with the changing world of work.

Detailed recommendations

Theme	Detail
An effective employment service	Institute a new operating model that provides people at risk of poor labour market outcomes (including Māori, Pacific People, people with health conditions or disabilities, and people whose jobs have been made redundant) with proactive and sustained support to obtain good, sustainable work. Increase significantly investment (with appropriate monitoring and reporting) in active labour market programmes. Establish a dedicated deputy Chief Executive for employment in MSD. Provide sufficient numbers of well-trained, well-resourced, regional labour market managers and specialist employment case managers in MSD. Provide public employment services to people at risk of becoming unemployed.
Revamp of Active Labour Market Programmes, labour market and training policies	Review a whole-of-government approach to labour market, training and vocational education (with MSD as an integral partner) with MBIE, Te Puni Kōkiri, Ministry of Pacific Peoples, Tertiary Education Commission, Careers New Zealand, polytechnics, industry training organisations, and regional and local government. Establish national and regional advisory groups of the social partners (government-business-union), iwi and regional and local government to implement employment and active labour market policies at a national and regional level. Resource and develop a portfolio of labour market programmes that is driven by local labour market conditions, evidence based, and informed by all relevant national and local labour market data. Access the best international data and programmes so New Zealand is well placed for a future labour market in which more people might more frequently transition in and out of work and where there is a greater need to support workers to re-skill or up-skill due to displacement or moving in or out of casual work. Make labour market programmes and work far more accessible for disabled people.

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Theme	Detail
Loss of employment	Establish a short-term (for example, 6 months) benefit for partnered people who lose their jobs or incomes (for example, due to redundancy) through an earnings disregard of their partner's income (up to a cap) for this period (see the detailed recommendations table in chapter 7). Adequately fund redundancy support programmes, which include a suite of free or subsidised training and education courses, for workers who experience redundancy. Ensure people can resume benefits readily (to allow for unpredictable changes in income and to provide people with confidence to take up employment), including removal of income stand-down periods.
Young people supported to be earning, learning and, where they are parents, caring	Increase investment in well coordinated and youth development-focused programmes to help young people into education, training, alternative employment opportunities or volunteering. Tailor youth initiatives to their communities. Take an evidence-based approach, informed by the voices of young people and building on the strengths of young people, and provide a basis for their long-term engagement with the changing world of work. Provide assistance with a specific focus on the needs of rangatahi Māori, Pacific youth and young people with health conditions or disabilities, to provide more equitable outcomes and success for these groups of young people.

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10 Creating a fairer deal for people with health conditions or disabilities and carers

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Improving wellbeing

No consensus exists on a definition of wellbeing, but it is usually defined as a multidimensional concept encompassing physical, mental and social domains.

People need sufficient income from the state and/or work for meaningful participation in their community and to live a life with dignity. Health shocks (such as major illness or major injury) to oneself or an immediate family member can happen to anyone and can have a devastating impact on someone's income and ability to work, as well as being highly stressful. Health shocks have a greater impact on low-income families (Islam & Parasnis, 2017).

Social assistance benefits play a significant role in supporting individuals who are unable to work or whose capacity to work is limited (Immervoll et al, 2015). The primary purpose of health and disability benefits is to support people in a difficult position to survive financially. There are large financial short-falls for people with work-limiting health conditions or disabilities from birth or childhood as well as those developed as an adult. If payments are set too high, they can act as a disincentive to enter work; but if they are set too low, the risk of poverty increases for those individuals and families who are not working (Make Work Pay Interdepartmental Group, 2017).

The system response needs to improve in several areas

In New Zealand, the system could improve its response to people with health conditions or disabilities in several areas. These are discussed below.

Inequities exist in the provision of financial assistance for people with health conditions and disabilities and carers across the social sector

The Ministry of Social Development (MSD), Ministry of Health[50] and Accident Compensation Corporation (ACC) all work across the health and disability sector, delivering support and services to a sometimes shared client base. The three agencies have very different incentives and purposes, which has led to disparate and inequitable outcomes for disabled people both accident and medically diagnosed (WEAG, 2019k).

Levels of income support and integrated services for people with similar disabilities vary, depending on whether people are eligible for ACC income-replacement payments[51] or much less generous, means-tested payments through the welfare system (Fletcher 2018b; OECD, 2018b; WEAG, 2019k). As table 3 indicates, the amount of financial assistance people may receive from ACC is usually higher than that provided by MSD for the same level of incapacity.[52] This difference was also highlighted in the recent review of mental health and work in New Zealand (OECD, 2018b).

50 The Ministry of Health funds health services and has broad health and social priorities that do not include employment.

51 ACC operates a levy-based income protection scheme for personal injury, which provides compensation for lost earnings in return for the loss of the right to sue. ACC provides income support and rehabilitation to its clients. Eligibility is not affected if the client has an earning spouse. People in employment at the time of their accident receive up to 80% of their pre-injury income. ACC has no obligation to pay loss of income support (weekly compensation) to someone not in paid employment at the time of a disabling accident.

52 MSD provides means-tested financial and other support as appropriate to help people to support themselves and their dependants while not in paid employment, including where this is because they have a health condition or disability. Decisions about eligibility for both Jobseeker – Health Condition or Disability (JS-HCD) and Supported Living Payment (SLP) are underpinned by a medical assessment and their relationship status.

Table 3: Income assistance for a person with a health condition, disability or injury

Scenario	Health condition, disability or injury not covered by ACC	Personal injury covered by ACC[53]
Scenario 1 *A person over 25 years old, with no dependants*, working 40 hours a week at the minimum wage, develops a health condition that *temporarily affects* their ability to work	**MSD main benefit** JS-HCD **$215.34** net in hand a week[54] **MSD supplementary assistance** AS **$105** net in hand a week (maximum AS rate) DA **$23** net in hand a week (average DA rate) **Total: $343.34** net in hand a week	**ACC earnings-related weekly compensation** 80% of the recipient's average weekly income: **$447.11** net in hand a week[55] **MSD supplementary assistance** AS **$70** net in hand a week[56] (maximum AS rate after calculating income reduction) DA **$23** net in hand a week (average DA rate) **Total: $540.11** net in hand a week
Scenario 2 *A couple, both over 25 years old, with no dependants,* both working 40 hours a week at the minimum wage, where one person develops a health condition that *temporarily affects* their ability to work	**MSD main benefit** Not eligible for main benefit (benefit is fully abated due to income test for a couple) **MSD supplementary assistance** AS **$154**[57] net in hand a week (maximum AS rate for a couple after income reduction) DA **$23** net in hand a week (average DA rate) **Total: $177** net in hand a week	**ACC earnings-related weekly compensation** 80% of the recipient's average weekly income: **$447.11** net in hand a week **MSD supplementary assistance** AS **$7** net in hand a week (maximum AS rate for a couple after income reduction) DA Not eligible (above maximum income limit for couple) **Total: up to $454.11** net in hand a week

53 Any health condition, disability or injury that is 'covered' as a 'personal injury' under ACC's statutory eligibility criteria. Note that a person who is covered by ACC for personal injury may also qualify for MSD supplementary assistance. However, most of their personal injury costs are likely to be fully funded by ACC, meaning they are less likely to receive the average DA rate.

54 The recipient would be eligible for Jobseeker Support on the grounds of a health condition or disability (JS-HCD) that temporarily affects their ability to work. A stand-down period may apply.

55 The first week is usually paid by the employer if the injury occurs at the place of work. ACC weekly compensation, based on 80% of the adult minimum wage of $660 for a 40-hour week, is approximately $447.11 net (excluding KiwiSaver and Student Loan deductions).

56 This assumes that the person will take up AS. However, take-up rates for AS are considered low among non-beneficiaries.

57 The maximum payable for a couple with no dependants in Area 2 is $155 per week. However, based on the partner's income level this is reduced by $1 a week.

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Scenario	Health condition, disability or injury not covered by ACC	Personal injury covered by ACC[53]
Scenario 3 *A person over 25 years old, with no dependants*, where the person develops a health condition or an injury that *permanently and severely affects* their ability to work	**MSD main benefit** SLP **$269.15** net in hand a week **MSD supplementary assistance** AS **$105** net in hand a week (maximum AS rate) DA **$23** net in hand a week (average DA rate) **Total: $397.15** net in hand a week	**ACC earnings-related weekly compensation** 80% of the recipient's average weekly income: **$447.11** net in hand a week **MSD supplementary assistance** AS **$70** net in hand a week (maximum AS rate for this recipient after income reduction) DA **$23** net in hand a week (average DA rate) **Total: $540.11** net in hand a week **ACC compensation for permanent impairment** Lump sum payment within a range from $3,455.24 to $138,209.55, depending on the level of impairment[58] or Independence allowance assessed weekly but paid quarterly, with rates ranging from $197.73 to $1,186.64.[59]

Notes: ACC = Accident Compensation Corporation; AS = Accommodation Supplement; DA = Disability Allowance; JS-HCD = Jobseeker Support – Health Condition or Disability; MSD = Ministry of Social Development; SLP = Supported Living Payment.

All scenarios are based on the following assumptions:

- The recipient/couple lives in Area 2 (**https://www.workandincome.govt.nz/map/deskfile/extra-help-information/accommodation-supplement-tables/definitions-of-areas.html#Area23**) and receives the maximum AS, which factors in an income reduction where applicable.
- The recipient/couple has no cash assets and the only source of chargeable income is their wage earnings or earnings-related weekly compensation.
- The recipient/couple does not receive Temporary Additional Support or the Winter Energy Payment.
- DA received is the average amount of $23 per week, based on data as at the end of March 2018. Note however, that 36% of all recipients receive $10 or less a week, and over half of these receive $5 or less a week.
- Any available Ministry of Health funding has not been included in the scenarios.

58 Claims for injuries that occurred on or after 1 April 2002 are eligible to be considered for this lump sum. Earlier claims are eligible to be considered for an independence allowance. The lump sum payment for impairment is not treated as income for MSD benefit purposes and is not subject to the ACC direct deduction. It is also excluded as a cash asset for AS, Residential Care Subsidy and hardship benefits for the first 12 months.

59 Claimants can elect to receive a one-off payment covering five years, in lieu of quarterly payments. The allowance is not income and not a direct deduction. It is excluded as a cash asset for AS or Residential Care Subsidy and hardship benefits for the first 12 months.

Some people with health conditions or disabilities miss out on income support from ACC and MSD. Some people with health conditions or disabilities do not qualify for accident compensation[60] and miss out on financial support from the welfare system because of the couples-based eligibility rules for financial assistance (WEAG, 2019k). Most families in New Zealand need two incomes to cover housing and other living costs.

When the accident compensation scheme was established, the intent was to eventually extend equivalent coverage to people with a health condition or disability not arising from an accident. "The community had a responsibility to protect all citizens from the burden of sudden individual losses, when their ability to contribute to the general welfare by their work was interrupted by physical incapacity" (Palmer, 2018: 4). The Welfare Expert Advisory Group suggests that the Government might consider how best to extend the advantages of an ACC approach for those with disability and illness, particularly long term, not caused by an accident, to reduce the current inequity.

Single people receiving a benefit are particularly disadvantaged, and most recipients of health and disability benefits are single

A single person on benefit is at significant risk of having an inadequate income (WEAG, 2019k). As mentioned in chapter 2, most of those in receipt of health and disability benefits are single and receive little income from other sources. While many people in receipt of a benefit because they have a health condition or disability have some work capacity, maintaining an adequate income from paid work is a challenge. Those with health conditions or disabilities are disadvantaged in the labour market and more likely to receive income support from the state (WEAG, 2019k). Rates of engagement in part-time work while on benefit are low for recipients of both Jobseeker Support – Health Condition or Disability (JS-HCD) and Supported Living Payment (SLP) recipients. Many who leave a benefit for work later return (Judd & Sung, 2018).

For people with health conditions and disabilities and carers who are supported by the welfare system, current income is often inadequate to support basic needs, for meaningful community participation and to live a life with dignity.[61]

> *"Everyone should have enough support to lead a good life, especially those with illnesses and disabilities where circumstances are unlikely to change."*
>
> **PAST WELFARE RECIPIENT**

60 People who develop a health condition or a disability not related to an accident are not eligible for ACC support.

61 Evidence is considerable that having a health condition or disability imposes additional costs on individuals and families. Families with a disabled child or a child with significant health conditions have lower income, living standards and higher levels of social exclusion (Melnychuk et al, 2018; Wynd, 2015).

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Being poor and receiving a health and disability benefit can worsen health

Time on income support can impact negatively on health, especially mental health. This appears to be linked to welfare stigma or other adverse life events coinciding with welfare receipt for those receiving unemployment or disability payments (Butterworth et al, 2006; Kiely & Butterworth, 2013; Davis, 2018; Kvalsvig, 2018). This likely further undermines an individual's employment and earning prospects.

Some Supported Living Payment recipients are likely to receive a benefit for life

A portion of SLP recipients are unlikely to ever obtain paid employment. The actual number is unclear, but the group eligible for SLP simplified access and whose SLP entitlement is never to be reassessed is a useful proxy. Some people with a specific diagnosis can access SLP without having a detailed assessment of their capacity to work. This quicker process was intended for those with permanent and severe health conditions or disabilities.[62] People who are granted SLP through simplified access will never have their capacity to work reassessed. This equates to about a third of SLP recipients. Such people need an adequate income to support meaningful participation in their community and to live a life with dignity. The current rate of SLP does not provide this (WEAG, 2019c).

Significant cost is associated with having a health condition or disability, but the system response is inadequate and complex

Extra costs are associated with having a health condition or a disability (Kirby et al, 2013; Mitra et al, 2017). While there is no agreed way of calculating a cost of disability in New Zealand or elsewhere, many on low incomes cannot cover that cost (Callander et al, 2017; Murray, 2018; Sum et al, 2018).[63] For those with one or more long-term health conditions and disabilities, the costs may be very high (for example, the time and cost of accessing an array of separate health and care professionals, medication costs, and equipment costs). People who rely long term on a main benefit often have few additional resources to draw on to cover such costs. Moreover, in New Zealand, various agencies provide financial assistance to compensate for the additional cost of having a disability.[64] The system is complex for people with health conditions and disabilities and carers to navigate and is not user centred (OECD, 2018b; WEAG, 2019k, 2019l).

The stress of coping with ill health, disability or caring responsibilities on a low income is often exacerbated by dealing with an overly bureaucratic income support system and trying to navigate the supports and treatments they need to access through other systems, primarily the health system. This is especially the case for people who have complex needs requiring frequent interaction with

62 This includes people who are totally blind, terminally ill, have a severe intellectual or cognitive impairment, or have a disorder that has reached a stage of deterioration to the extent that the condition severely affects their ability to function and is unlikely to improve.

63 Internationally and in New Zealand, indications are that people skip medication and do not go to the doctor because of cost (RANZCP, 2015). The New Zealand Health Survey found unmet general practitioner need and unfilled prescriptions due to cost (Ministry of Health, 2017).

64 Within the welfare system, income support for disabled people may come from JS-HCD and SLP. In addition to these first-tier benefits, financial assistance can be given through supplementary benefits most of which are means tested. These include Disability Allowance, Temporary Additional Support for those with excess disability cost, and Child Disability Allowance (not means tested). ACC provides income support and compensation for people who have disabilities resulting from an injury and/or an accident. Disability-related support services are provided by several agencies, including MSD, Ministry of Health, Ministry of Education, ACC, district health boards, and the New Zealand Transport Agency (WEAG, 2019k, 2019l – listed in Appendix E).

> *When it comes to people on an Invalid's Benefit there should be much more help. I've been house bound and bed bound for three years unable to clean my home and only recently a friend told me there's a possibility of home help. Yet NEVER did [an MSD] staff member tell me this. I had to repair my own mobility scooter because I couldn't afford to take it to the service centre, but because I'm so sick it took several weeks to fix what a healthy person could fix in half a day."*
>
> **WELFARE RECIPIENT**

different parts of the health system (for example, those with chronic conditions and/or multiple conditions).[65] It is often not clear to people with health conditions or disabilities which agency is responsible for delivering which supports and services, meaning people may miss out on what is available to them. Moreover, agencies do not necessarily know or advise people of assistance they may be able to get from elsewhere. People with communication difficulties have additional challenges interacting with the welfare and health systems.

People in receipt of a benefit, along with others on low incomes, have considerable difficulty accessing the health supports and services they need to maintain and improve physical and mental wellbeing (Expert Advisory Group on Solutions to Child Poverty, 2012a; Potter et al, 2017; Sural & Beaglehole, 2018).[66] Improving access to primary care, dental care, alcohol and other drug services, mental health care, secondary health care, vision services and glasses, hearing services and hearing aids, and healthy housing is particularly important for those on low incomes, and the needs for people with health conditions and disabilities may be greater in all these areas (WEAG, 2019k).

We recommend a number of changes, to ensure that financial assistance better reflects the actual costs of having a health condition or a disability and is equitable across the social sector. We also recommend the health system consider how cost and other barriers can be reduced so people on low incomes can access the support and services they need.

Differences in how people with health conditions or disabilities are treated are carried through to carer support arrangements of different government agencies

New Zealand relies heavily on family carers to care for people with health conditions and disabilities (Grimmond, 2014). As in other OECD countries, demand for such carers is expected to rise as the population ages and more people live longer with chronic and disabling health conditions (Colombo et al, 2011). Placing people in need of care in residential care is expensive and may not be desirable from the perspective of supporting people with significant health conditions or disabilities to live an ordinary life in the community. However, family carers, especially women, can become trapped in a role where they receive a very low income. Economically disadvantaged families are more likely to be family carers, because they are less likely to be able

65 The Ministry of Health does not generally fund disability support services for people with health conditions such as diabetes or asthma or with mental health and addiction conditions such as schizophrenia, severe depression or long-term addiction to alcohol or other drugs.

66 The New Zealand Health Survey found unmet general practitioner need and unfilled prescriptions due to cost (Ministry of Health, 2017).

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to afford formal care. These families are also more likely to struggle to meet the additional costs associated with caring. This means the impact of caring and the costs associated with caring are felt more intensely by those who are already disadvantaged (Colombo et al, 2011).

Carers of people with health conditions or disabilities face a number of challenges including an inadequate income and a complex, fragmented system of support. The differences in how people with health conditions or disabilities are treated are carried through into the carer support arrangements of different government agencies (for example, ACC paid family care, Individualised Funding and Funded Family Care from the Ministry of Health, and SLP Carer benefit from MSD). Some carers are eligible for support from MSD, the Ministry of Health or ACC, but there is inequity in the levels of income and other support provided. Carers of people with health conditions or disabilities within the welfare system receive the least generous payments than carers supported by other agencies. Carers in the welfare system are eligible for a means-tested benefit (SLP Carer) if they care for someone who would otherwise need hospital, rest home or residential care but who is not their partner (WEAG, 2019l).

Within the welfare system, people may be eligible for supplementary assistance aimed at helping to address the cost of having a health condition or disability but not the care itself, which remains unpaid. Indications are that take-up of such assistance is less than ideal and that it does not cover the costs many families face. High-intensity caring is associated with negative impacts on income, physical and mental health, family functioning and social networks, and these are experienced more intensely by those who are already disadvantaged (WEAG, 2019l).

More can be done to support carers. The range of supports and services provided should be considered in the context of the increasing demand for care due to demographic change and changes in policy settings. We recommend de-coupling SLP Carers from SLP so that carers are better recognised in the welfare system. We also recommend introducing an annual carers payment to recognise the cost associated with caring for someone with a health condition or a disability.

> *"I am needed at home to care for our eldest son (now 11) who is severely autistic. If we were not caring for him, he would have to be in fulltime residential care. This would medically qualify us for the Supported Living Payment - Carer. However, I am not eligible for any assistance like the Supported Living Payment for this work, because my husband has a paid job."*
>
> **A PARENT OR CAREGIVER TO DEPENDENT CHILDREN**

More could be done to support people with health conditions and disabilities and carers into paid employment

Good, suitable work is positive for wellbeing

Suitable work is generally good for health and wellbeing (Curnock et al, 2016; OECD, 2018b; Rea, Anastaasiadis et al., 2018). This is because:

- employment is generally the most important means of obtaining adequate economic resources, which are essential for material wellbeing and full participation in today's society
- work meets important psychosocial needs in societies where employment is the norm
- work is central to individual identity, social roles and social status
- employment and socioeconomic status are the main drivers of disparities in physical and mental health and mortality.

While some people with health conditions or disabilities leave a benefit for work, many return. Long-term receipt of benefit is common, especially among SLP recipients. Few people receiving income support for health conditions or disabilities get any income from part-time work. A similar pattern exists for people receiving SLP Carer (WEAG, 2019l).

The OECD (2017: 15) argues that: "the standard approach taken in most countries' unemployment systems today is to exempt jobseekers with health problems from their participation and job-seeking requirements, and to hope that, and wait until, they return treated and cured". The OECD argues that this is not the right approach, because many people on health and disability benefits have chronic conditions (for example, some mental health and musculoskeletal conditions) that cannot be cured.

There is no single solution to supporting people with work-limiting health conditions or disabilities into employment. Health and disability benefit recipients are a heterogeneous group. Outcomes for any individual will depend on a variety of factors, including whether the work accommodates their individual capacity or caring responsibilities, the quality of the work, and the financial gains from working. To improve outcomes for people with work-limiting health conditions and disabilities, the OECD recommends implementing a coherent combination of policies that work on changing the behaviour of individual recipients of health and disability benefits, employment agencies, health practitioners and employers (Böheim & Leoni, 2018; OECD, 2010; 2018b).

> *"Employment is a key part to helping people with mental health and addiction issues to maintain wellbeing."*
>
> **WORKWISE**

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Early intervention with the right support is important

In New Zealand, most people on health and disability benefits either have deferred or no work obligations – only 13% have work obligations (part-time obligations). People receive a benefit, but little return-to-work management takes place. In the welfare system, they also have poor access to timely evidence-based health care or return-to-work support from the welfare or health system to help them enter and maintain work. As a consequence, many never return to work or are disengaged from work for long periods (WEAG, 2019k). For many people with health conditions or disabilities intervening early in the right way is crucial in supporting a return to work and improving earnings (OECD, 2010; 2015; 2018b).

Compared with other OECD countries, New Zealand spends less on active labour market programmes and very little on evidence-based supported employment and vocational rehabilitation for people with health conditions and disabilities. There is no early intervention in the welfare system to support a return to work and then to stay in work. Specific interventions at scale to help people with health conditions and disabilities into work are lacking, and coordination between employment and health services to support a return to work is poor. Integrated health and employment services to facilitate a return to work are available to injured earners through ACC but not elsewhere at any scale. Condition management is limited for people with long-term chronic conditions in the welfare system to support a return to work (OECD, 2018b; WEAG, 2019k). Thus, there is a welfare policy – not an employment strategy – for people with health conditions and disabilities.

ACC claimants who were earning at the time of their injury receive individual entitlement to significantly higher levels of financial support and have access to timelier, tailored rehabilitation and return-to-work support (OECD, 2018b). This approach achieves better outcomes for those who receive it (McAllister et al, 2013; Paul et al, 2013). This approach needs to be embedded within social security. A recent review of mental health and work in New Zealand reached a similar conclusion (OECD, 2018b).

Some people may require considerable time and support to move into work, while others may be closer to the labour market and require less time and support. Hence, a more nuanced, individual approach is required. Difficulties in returning to work usually increase over time. Most people temporarily unable to work due to a health condition or disability return to work within a short period (for example, less than 4 weeks) and require little in the way of interventions. However, over time, the impact of psychosocial factors becomes more important, new issues may emerge, and people find it increasingly difficult to return to work. They require additional and more intensive input to help them return to work. The level of input provided should be guided by the person's response to the interventions and not by diagnosis alone (WEAG, 2019k).

Some people may need a graded return to work, increasing their hours as their health condition or disability allows. Internationally, there is increasing evidence that graded return-to-work is an effective tool for the rehabilitation of people on benefit due to ill health or disability (Kools & Koning, 2018). It is important to note that many people receiving JS-HCD have long-term chronic conditions (for example, mental health and musculoskeletal conditions). While many are still able to work in suitable employment with the right support, the range of jobs available to them may be more limited. Some may only be able to work intermittently and/or part time (WEAG, 2019k).

We suggest the welfare system should do more to support part-time work for people with health conditions and disabilities. For those on JS-HCD, part-time work under 20 hours a week is not recognised as such under the Social Security Act 2018. Stats NZ defines employment as having

worked one or more hours a week when surveying people about their labour force status.[67] For SLP recipients, there is a disincentive to earn more than $200 or work more than 15 hours a week. SLP abates at a rate of 70 cents to the dollar after a beneficiary earns more than $200 per week, and recipients working more than 15 hours per week lose their entitlement to SLP – except for people who are blind. The SLP never abates for recipients who are considered totally blind or severely disabled because their personal earnings are not counted under the Social Security Act 2018.

Through their caring, SLP Carers have developed specialised skills that could be valuable in future work. However, those receiving SLP Carer receive little assistance to engage in paid work or consider employment once their caring responsibilities end or when their caring responsibilities would allow this. We recommend better support to carers to engage in employment when their circumstances allow.

Recommendations – key and detailed

Key recommendations

Recommendation 40: Improve the health and wellbeing of people with health conditions and disabilities, along with carers of people with health conditions and disabilities who interact with the welfare system by:

- providing financial support that is adequate to live a life with dignity and is equitable across the social sector
- implementing evidence-based approaches to support engagement in good, suitable work and the community where this is possible
- implementing strategies to prevent work-limiting health conditions and disabilities.

Recommendation 41: Include in the scope of the New Zealand Health and Disability System Review the relationship between the health and disability system and the accident compensation scheme and how the relationship between these and the welfare system could be changed to improve outcomes for people with health conditions and disabilities and carers.

67 Labour force categories used in the Household Labour Force Survey http://archive.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/Labour-force-categories-in-HLFS.aspx

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Detailed recommendations

Theme	Detail
Improving income support for people in the welfare system with health conditions or disabilities and carers of people with health conditions or disabilities	**Main benefits** Consider increasing financial support for people affected by health conditions and disabilities not due to an accident to be equivalent to that provided by the accident compensation scheme. Treat people with similar levels of disability – whether caused by illness or injury – similarly. Link this support to relevant employment support where work is a possibility. Introduce time-limited individual entitlement for income and employment support for low-income families suffering from health shocks (see the eligibility section of the detailed income support recommendations, page 118). Consider transferring to New Zealand Superannuation people on Supported Living Payment who are so unwell or disabled that there is no foreseeable chance they will come off the benefit during their life. Align the abatement rate of non-blind disabled people receiving Supported Living Payment with that of the blind, to address the current inequity.
	Assistance for the cost of having a health condition or disability Redesign supplementary assistance for people with health conditions or disabilities, so it is easier to access and more accurately covers the costs of having the health condition or disability. Increase the level of income support provided by Disability Allowance with three rates (low, medium and high) related to the degree of burden of disability or care needed. Increase the level of income support provided by Child Disability Allowance, and introduce three rates (low, medium and high) related to the degree of burden of disability or care needed. Direct the Ministry of Social Development and Ministry of Health to clarify where responsibility for covering the cost to individuals of health conditions and disabilities should lie and make this transparent, known to the public, and accessible. Include in the New Zealand Health and Disability System Review how cost and other barriers can be reduced so people on low incomes can access primary care, dental care, alcohol and other drug services, mental health care, secondary care, and vision and hearing services.
	Carers De-couple Supported Living Payment Carer from Supported Living Payment, and create a carers benefit that continues to be paid at the same rate as Supported Living Payment. This allows more flexibility in the provision of non-financial support. Introduce an annual carers payment to help meet the additional costs associated with care.

Theme	Detail
Implementing in the welfare system a comprehensive approach to support the suitable employment of people with health conditions and disabilities and carers of people with health conditions and disabilities	Implement within the welfare system a comprehensive approach to support the suitable employment of people with health conditions and disabilities and carers that includes: • early intervention with the right level of support • support for part-time work • evidence-based integrated employment and health supports and services • improved access to health supports and services to support return to work, with particular support for people with mental health problems or chronic conditions • easy re-entry to a benefit if employment ends • support for employers to take on or retain people with health conditions and disabilities and carers (for example, wage subsidies and workplace accommodations). Support the recommendations of the Government Inquiry into Mental Health and Addiction and the 2018 OECD report *Mental Health and Work: New Zealand*, because of the large proportion of people receiving health and disability benefits whose primary barrier to work is a mental health condition.
Meaningful community participation to promote wellbeing	Work with the Ministry of Health to ensure those who are unlikely to ever engage in paid work are supported to participate meaningfully in their communities.
Prevention and harm reduction	Work to eliminate people's negative experiences with MSD, which worsen mental distress, by changing the way MSD interacts with people in line with our proposed purpose, principles and values. Government to prioritise the prevention of ill health and disability by: • overseeing and coordinating cross-government responses to improving social wellbeing, including tackling the social determinants of poor health and disability • enhancing cross-government investment in prevention and resilience-building activities for young people and people in workplaces.

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11 Strengthening community organisations and volunteering

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The act of volunteering, contributing and making a difference for others builds a sense of ownership and engagement in community wellbeing. Our terms of reference explicitly identify volunteering in the Government's vision of the welfare system as "part of an integrated Government approach that enables people to be earning, learning, caring or volunteering and ensures a dignified life for those for whom these options are not possible". The Government also places a high value on meaningful participation in communities.

We consider volunteering could enable people in receipt of a benefit to:

- participate meaningfully in their communities
- develop knowledge, skills and work habits that contribute to work readiness
- support the community infrastructure that enables people with a health condition or disability or with caring responsibilities to meaningfully participate in communities.

Within the 'mutual expectations framework' that forms a significant component of our recommendations, volunteering is a valuable tool that MSD should encourage to help people develop useful labour market skills and habits while also participating in their communities.

Through volunteering, people are intrinsically rewarded by contributing to the communities they value, developing habits of reliability and teamwork and building skills and knowledge that may later be of value to them in employment (Kamerāde & Paine 2014; Paine et al., 2013; Spera et al., 2015). For those for whom employment may not be possible, the reward of contributing and being meaningfully engaged contributes to a greater sense of wellbeing (Jenkinson et al, 2013).

Many mechanisms for enabling volunteering can be structured and timetabled, but not all volunteering occurs like this. For people involved in Māori communities, volunteering may revolve around the demands of the marae, and in Pacific communities, it may be through weddings, funerals and other critical cultural events. The work of supporting the cultural imperatives of hui, wānanga and tangihanga cannot always be planned and scheduled. A critical need in these situations is for a highly skilled and capable volunteer workforce. Where people actively contribute in a regular way to the life of their marae, they should be recognised as making a valuable contribution that should be encouraged.

For those for whom employment may not be possible, the reward of contributing and being meaningfully engaged contributes to a greater sense of wellbeing.

(JENKINSON ET AL, 2013)

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Our view is that volunteering should not replace the expectation that people who are in a position to work should look for, and take, suitable paid work. However, MSD should recognise volunteering as a valuable activity. Case managers should schedule appointments around people's volunteering commitments. In seeking the best possible job match, they should seek to build on the skills, knowledge and interests a person has gained through volunteering or caring. Where people are not in a position to be in paid work, education or training, MSD should encourage and support voluntary work.

As recognition of, and support for, volunteering expands, care will be needed that a voluntary workforce does not displace paid employees and does not become a 'work for the dole' model. By concentrating on building the capacity and capability of community organisations, including marae, community trusts, incorporated societies, schools and environmental groups, the likelihood of worker displacement should be mitigated.

Our view is that volunteering should not replace the expectation that people who are in a position to work should look for, and take, suitable paid work. However, MSD should recognise volunteering as a valuable activity.

Enabling community organisations to prosper

The development of a wide range of volunteering opportunities requires community organisations to have appropriate infrastructure and volunteer management capabilities. MSD does not currently have a role in the development of a wide-ranging and capable set of community organisations with sufficient capacity to properly use volunteers and to support those who cannot earn, learn, care or volunteer to meaningfully engage in their communities. We consider that building capacity and capability within MSD to properly engage with, fund and promote community organisations is an important component of implementing the new social security system. Engagement should include governance training, volunteer management training, practical support to meet health and safety requirements and financial support to provide meaningful volunteer experiences.

MSD has limited ability to actively promote the development of wide-ranging and capable community organisations. The emergence of Oranga Tamariki–Ministry for Children as a principal funder of social services organisations saw the transfer from MSD to Oranga Tamariki of much of the expertise and funding used to support community organisations. The main purpose of Oranga Tamariki is to address the needs of children in the care of the state, or children close to being in this care. MSD's Community Partnerships and Programmes (CPP) service, the current remit of which is to engage with communities, focuses on organisations that support people affected by family violence and on service providers contracted to deliver Youth Services and Young Parent Payment support. The relatively small E Tū Whānau

programme,[68] while focused on family violence, works on kaupapa Māori principles to build whānau and community resilience. The work of both Oranga Tamariki and CPP is crucial. However, this focused approach leaves little room to support the wider work of community organisations and the development and funding of the many volunteering and community support roles needed for people to build skills, knowledge and positive work habits.

The Department of Internal Affairs also has a role in supporting community organisations but this is limited to distributing Lotto funds, maintaining infrastructure for Community Organisation Grants Scheme distributions and developing regionally based capability.

Through our consultation, many community organisations reported their desire to be part of the response to the multitude of issues that have emerged over the past 30 years of inadequate benefit payments. These organisations also reported inadequate funding of their services and high levels of demand for support and identified the complex lives of those they serve. Infrastructure of community organisations is run down and needs investment if these organisations are to actively support meaningful engagement in communities and opportunities to volunteer.

> *"The complexity of commissioning, contracting and duplicate auditing is taking hundreds of hours of frontline service time…Precious time and resources are spent on multiple audits rather than on delivering frontline services to people in need…We have estimated that each year we spend 30 per cent of senior management time involved in either contract negotiations or audits."*
>
> **WISE GROUP**

Recommendation – key

Recommendation 42: Direct the Ministry of Social Development to develop the capacity and capability to engage with, promote and fund community organisations to provide wide-ranging opportunities for volunteers and people receiving benefits to be meaningfully engaged in their communities.

68 Refer to http://etuwhanau.org.nz/about/programme-of-action/.

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12 Improving outcomes requires a cross-government response

Improving outcomes for people on low incomes or in some way receiving support from the welfare system requires a cross-government response – it is not enough to change the welfare system alone.

Currently, being on a benefit or in poverty (or both) often has a detrimental long-term impact on the wellbeing of adults and children. People often come to need welfare support after common life shocks such as relationship breakdowns, major illness, closure of industry and natural disasters. These shocks are often multifaceted, involving a complex interplay of factors (for example, intergenerational trauma, poor mental and/or physical health, addictions, disability, relationship breakdowns, unemployment, justice sector involvement, educational barriers, and insecure and unsuitable housing). These factors cannot be prevented or mitigated by the welfare system alone.

What occurs in other parts of the social sector influences who comes into the welfare system and the outcomes for individuals and families supported by the welfare system. Improving outcomes for those receiving support from the welfare system by implementing evidence-informed investments now can benefit individuals and families and lower costs to government and individuals in the longer term.

A significant group of individuals and families experience multiple and long-term disadvantage and need to interact with several government systems. This group requires a responsive, person-centred, joined up system of support if their outcomes are to improve.

A lack of coordination between government services was a common theme from our consultation. People reported that being engaged with multiple agencies meant having to navigate conflicting demands from different arms of government (for example, Oranga Tamariki–Ministry for Children, the Ministry of Social Development, Inland Revenue, the Department of Corrections, the Ministry of Health and the Accident Compensation Corporation).

A lack of coordination between government services was a common theme from our consultation.

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> *Combine Citizens Advice Bureau with Work and Income offices, so clients don't have to go looking for JPs across the city/town to verify docs. One stop shop for welfare assistance!"*
>
> **PAST WELFARE RECIPIENT**

> *Want a single integrated service – enough of silos."*
>
> **LOWER HUTT COMMUNITY FORUM**

> *How come we need to provide our birth certificate again and again? If we've given it to WINZ why do we have to prove our identity to others like health?"*
>
> **GREYMOUTH COMMUNITY FORUM**

People were also frustrated by the need to provide the same information to various agencies, and couldn't understand why certain actions had to be repeated over and over again.

Several bodies, reviews and other changes are under way or are about to start that could usefully consider how circumstances could be improved for people on low incomes or receiving support from the welfare system including the:

- Education Funding System Review
- Future of Work Ministerial Group
- Fair Pay Agreement Working Group
- Review of New Zealand Health and Disability System
- Just Transitions Unit in the Ministry of Business, Innovation and Employment
- Ministry of Housing and Urban Development
- Tax Working Group
- Te Uepū Hāpai i te Ora (the Safe and Effective Justice Advisory Group)
- Reform of Vocational Education.

Our review contributes to a myriad of evidence about the need for fundamental change to effect a whakamana tāngata approach to social security and give people hope for their future.

Kia kaha, kia manawaanui, kia piki ake te mana tangata.

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Glossary

Accommodation Supplement: The Accommodation Supplement is an income and asset-tested payment to help with the cost of housing. It is available to both people receiving a main benefit and those working on low and middle incomes.

AHC: After housing costs.

Away from Home Allowance: The Away from Home Allowance is a weekly payment to help carers with the living costs for 16 or 17 year olds who are living away from home while on a tertiary or training course. The allowance is paid to the carer of the young person.

Benefit Advance Payments: Benefit Advance Payments are recoverable one-off payments available to people on main benefits to meet a particular immediate need for an essential item or emergency costs. They are often paid directly to the provider of the goods and services required.

Best Start: The Best Start Tax Credit is a universal payment to support families with children in the first year of a child's life. For the second and third years of a child's life the payment is targeted to low and middle-income families.

BHC: Before housing costs.

Business Training and Advice Grant: The Business Training and Advice Grant is financial assistance for people starting their own business with developing a business plan, training in business skills, advice and project reports.

Child Disability Allowance: The Child Disability Allowance is paid to the main caregiver of a dependent child with a serious disability who needs constant care and attention, and who is likely to need care either permanently or for more than 12 months.

Child Support*:* Child Support is financial support paid by parents who either don't live with their children, or who share care of their children with another person.

Childcare Assistance: Childcare Assistance includes income-tested payments to help families to meet the costs of childcare. The two payments available are Childcare subsidy and Out of School Care and Recreation (OSCAR) subsidy.

Childcare subsidy: Childcare subsidy is a payment to help families with the cost of pre-school childcare.

Disability Allowance: The Disability Allowance is an income-tested payment to meet the on-going costs of a health condition or disability. It is an individual-based (rather than family-based) entitlement. Payment is based on actual costs, and requires verification of these costs.

Disability Assistance: There are two main forms of income support for costs associated with health conditions and disability in the welfare system. They are the Disability Allowance, and the Child Disability Allowance. These are separate from any payments made as part of the Health system.

Effective marginal tax rates: The effective marginal tax rate is the effective tax rate that you pay on an additional $1 of income, combining the impact of any taxes and the reduction in any income support payments. Effective marginal tax rates influence peoples' decisions about whether to increase the amount they work or earn, as they determine how much "cash in the hand" a person receives from additional work or pay.

Emergency Benefit: The Emergency Benefit is available to people in hardship and who are unable to earn enough income for themselves and their family and cannot receive another benefit. Emergency Benefit is income and asset tested.

Reasons for hardship may include:

- A health condition, injury or disability
- Their domestic circumstances
- Their age (e.g. 16 or 17 years), or
- Any other reason (e.g. residence status).

Emergency Maintenance Allowance: The Emergency Maintenance Allowance is assistance for sole parents who do not qualify for any other payments.

Family Tax Credit: The Family Tax Credit is an income-tested payment that goes to families with children, including those receiving a main benefit. People receiving main benefits can choose to receive their FTC through MSD (along with their benefit and any other payments) or from Inland Revenue.

Gig economy: The gig economy is a labour market of predominantly temporary employment (short-term contracts and freelance work) rather than permanent employment.

Hardship Assistance: Hardship Assistance is available to help people with immediate needs and essential costs that cannot be met from any other income or assets. Hardship Assistance includes Temporary Additional Support, Special Needs Grants, Benefit Advance Payments and Recoverable Assistance Payments.

Income-Related Rent Subsidy: The Income-Related Rent Subsidy is an income and asset-tested subsidy available to people in public housing (which includes properties provided by both Housing NZ and Community Housing Providers). This subsidy (paid to the housing provider) means that these tenants pay an Income-Related Rent which limits the amount of rent they pay to generally be no more than 25% of their net (after tax) income.

Jobseeker Support: Jobseeker Support was previously (pre-2013) known as the Unemployment Benefit and the Sickness Benefit. People are entitled to this benefit if they are unemployed, seeking employment or unable to work temporarily due to a health condition or disability.

Main benefits: The different main benefits reflect the different circumstances of people needing income support. MSD administers main benefits. There are five main benefit types – these are:

- Jobseeker Support (JS)
- Sole Parent Support (SPS)
- Supported Living Payment (SLP)
- Youth Payment (YP), and Young Parent Payment (YPP)
- Emergency Benefit (EB), and
- Other.

Main benefits are all income tested, but are not asset tested. Main benefits are taxed and are paid on a net basis.

Minimum Family Tax Credit: The Minimum Family Tax Credit is an income and work-tested payment for families with children who do not receive a main benefit and who work a minimum number of hours a week (20 hours for sole parents and 30 hours for couples). It 'tops up' the income of low-income families to ensure that they are better off in work than on a benefit.

MyMSD: MyMSD is an online service provided by the MSD and allows people to apply for a benefit or payment online, access a variety of information including payment and debt details, make declarations, update details and book or cancel appointments.

Non-beneficiaries: Non-beneficiaries are people who do not receive a main benefit, but who receive other payments such as supplementary assistance or hardship assistance.

Obligations: General obligations apply to all people receiving a main benefit. There are also particular obligations for different benefit types as well as supplementary and hardship assistance.

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Obligation failure: When someone receiving a benefit hasn't completed an activity they were required to do as part of their obligations then MSD can initiate an obligation failure. Once an obligation failure has been initiated and a letter sent, there are five working days to dispute or re-comply before a sanction is imposed.

Orphan's Benefit: The Orphan's Benefit provides income support to the caregiver of a child whose parents can't support them.

Out of School Care and Recreation (OSCAR) subsidy: OSCAR is a payment which helps families with the costs of before and after school care for up to 20 hours a week, and school holiday programmes for up to 50 hours a week. For families with children aged 5-13.

Papakāinga housing: Whānau-based communal living on ancestral Māori land which may include broader support.

Parental Tax Credit: The Parental Tax Credit was an income-tested payment for 10 weeks after a newborn arrives, for families not receiving a main benefit or paid parental leave. It ceased to exist for children born on or after 1 July 2018 as it was replaced by the Best Start Tax Credit as part of the Families Package.

Recoverable Assistance Payments: Recoverable Assistance Payments provide interest-free recoverable payments to help non-beneficiaries meet essential immediate needs for specific items.

Replacement rates: The replacement rate measures the extent to which out-of-work income support payments 'replace' a person's in-work income. Replacement rates influence peoples' decisions about whether to work at all.

Social obligations: Social obligations apply to people on a main benefit with children.

Sole Parent Support: Sole Parent Support was previously (pre-2013) known as the Domestic Purposes Benefit. People are entitled to this benefit if they do not have a partner and have at least one dependent child aged under 14 years. In the case of shared custody, only the parent with the greater parenting responsibilities can be paid Sole Parent Support.

Special Needs Grants: Special Needs Grants provide one-off recoverable or non-recoverable payments to people to meet immediate needs. They are available for people on a main benefit and for non-beneficiaries on very low incomes. Special Needs Grants are often paid directly to the provider of the goods and services required.

Stand-down periods: Most main benefits have an initial stand-down period (or 'non-entitlement period') where people cannot receive any main benefit payment – usually for one or two weeks depending on the person's average weekly income in the 6 or 12 months before they applied, and the number of dependent children they have.

Steps to Freedom Grant: The Steps to Freedom Grant helps people released from prison with the costs to establish themselves in the community.

Supplementary Assistance: Supplementary assistance is designed to help low-income people to meet particular costs. The main supplementary assistance payments administered by MSD are:

- Accommodation Supplement
- Income-Related Rent Subsidy
- Childcare Subsidy
- Out of School Care and Recreation Subsidy
- Winter Energy Payment
- Disability Allowance
- Child Disability Allowance

Supported Living Payment: Supported Living Payment was previously (pre-2013) known as the Invalid's Benefit. People are entitled to this benefit if they are both permanently and severely restricted in their capacity for work because of a health condition, injury or disability, or are totally blind. Permanent is defined as 'expected to continue for at least two years'. Severely is defined as 'not being able to regularly work for 15 hours or more per week in open employment'.

People can also be eligible for Supported Living Payment if they are caring for a person who requires full-time care and attention (other than their partner or spouse)[69]. This can include caring for a dependent child who has a significant disability.

Temporary Additional Support: Temporary Additional Support is a payment of last resort to help people with regular essential living costs that cannot be met from their income or assets.

Unsupported Child's Benefit: Unsupported Child's Benefit helps carers supporting a child or young person whose parents can't care for them because of a family breakdown.

Winter Energy Payment: The Winter Energy Payment is a payment to help superannuitants, and those receiving a main benefit, to heat their homes over winter.

Work Ability Assessment: Recipients of Jobseeker Support may be required to attend and participate in a work ability assessment. This helps to determine what work a person is capable of doing and what MSD can do to help a client find and stay in work.

Working for Families: Working for Families is a suite of payments provided to support families with the costs of children. Inland Revenue administers Working for Families, though MSD administers some of the payments, on Inland Revenue's behalf, for people receiving main benefits. The payments available are:

- Family Tax Credit
- In-Work Tax Credit
- Minimum Family Tax Credit and
- Parental Tax Credit and Best Start Tax Credit.

Youth Payment: The Youth Payment is a benefit for people aged from 16-17 years who are not supported by their parents. All Youth Payment recipients are part of the Youth Service.

Young Parent Payment: The Young Parent Payment provides support for 16-19 year olds with dependent children. Young Parent Payment recipients are part of the Youth Service.

69 While the carer is not entitled to Supported Living Payment in their own right, if their partner is entitled to Supported Living Payment the couple will be paid the couple rate of Supported Living Payment (and receive half the payment each).

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Appendix A: **Members of the Welfare Expert Advisory Group**

Cindy Kiro (Chair)

Professor Cynthia (Cindy) Kiro (Ngāpuhi, Ngāti Hine) is a well-known New Zealand academic.

Cindy has focused on education for the past several years, having previously worked in public health and children's advocacy for many years. She has extensive experience working in roles to improve outcomes for the New Zealand population. Cindy has held many senior roles in the health sector, academia and community organisations with a career straddling social work, public health and education.

Cindy is the Pro Vice-Chancellor (Māori) at the University of Auckland. She has worked at the University of Auckland for three years as Director of the Tai Tokerau campus, the Atlantic Fellowship for Social Equity, the Starpath Project and Te Tumu, the latter role being responsible for Māori and indigenous education in the Faculty of Education. She is a trustee of the National Hauora Coalition and member of the Expert Advisory Group for the Regional Climate Action Plan for Auckland City.

As New Zealand's fourth Children's Commissioner, Cindy advocated for the Taskforce for Action on Family Violence, the largest-ever response to family violence. She has worked to address child poverty in New Zealand, promote health and wellbeing among families and communities and promoted positive educational experiences as a key pathway to good life outcomes.

Innes Asher ONZM

Professor Innes Asher is a paediatrician, with wide experience of children and families interacting with the welfare system and the broader determinants of wellbeing of children and families.

Innes has nearly three decades of global experience in health and wellbeing as the Chair of the Global Asthma Network and the International Study of Asthma and Allergies in Childhood.

Innes is Professor of Paediatrics at the University of Auckland and a committee member and health spokesperson for the Child Poverty Action Group.

Kay Brereton

Kay Brereton is an experienced advocate for people within the welfare system.

She is a senior advocate with the Beneficiaries and Unwaged Workers Trust. Kay is also co-convenor of the National Beneficiary Advocates Consultative Group, which is a group of experts on welfare issues that regularly consults with the Ministry of Social Development.

Kay has extensive experience working directly with Ministry of Social Development clients, assisting them to access their full and correct benefit entitlements and to access their statutory review and appeal rights.

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Huhana Hickey MNZM

Dr Huhana Hickey (Ngāti Tahinga, Tainui) has a long-standing interest in the human rights of people from marginal backgrounds and the consequences of discrimination and social oppression.

Huhana is a scholar of disabilities research and legal theory and is noted for the breadth of her published cross-disciplinary research.

She sits on the New Zealand Human Rights Review Tribunal and, in 2018, was appointed as a director on the Housing New Zealand board. Huhana also manages her consulting company Pukenga Consultancy.

As the recipient of a main benefit, Huhana brings lived experience of the welfare system.

Trevor McGlinchey

Trevor McGlinchey (Ngāi Tahu) is Executive Officer for the New Zealand Council of Christian Social Services.

In 1986, Trevor started Te Mahi o Waitaki Trust in Oamaru, a kaupapa Māori trust that developed and operated numerous social enterprises and community initiatives.

In his community roles, Trevor chairs Moeraki Ltd, a marae-based charitable company, and is the most recent past chair of Te Ana Whakairo Ltd, a social enterprise based on Māori tourism. He is also a trustee of Ngā Tangata Microfinance Trust.

Tracey McIntosh MNZM

Professor Tracey McIntosh (Tūhoe) is Professor of Indigenous Studies and Co-Head of Te Wānanga o Waipapa (School of Māori Studies and Pacific Studies) at the University of Auckland.

Tracey was the former co-director of Ngā Pae o te Māramatanga, New Zealand's Māori Centre of Research Excellence. Her recent research focused on incarceration (particularly of Māori and indigenous peoples), gang whānau issues, and issues pertaining to poverty, inequality and social justice.

In 2012, she served as the co-chair of the Children's Commissioner's Expert Advisory Group on Solutions to Child Poverty.

Ganesh Nana

Dr Ganesh Nana is Chief Economist at Business and Economic Research Limited (BERL), having joined the company in 1998 as a senior economist.

Ganesh has over 30 years of experience in the field of economics across business consulting, conference presentations, research, tutoring and lecturing in New Zealand and the United Kingdom.

His work is often related to the Māori economy, regional New Zealand and its economic development, and education and workforce training plans and programmes.

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Phil O'Reilly ONZM

Phil O'Reilly has high-level experience working at the interface of government, business and communities. Phil developed long-term working relationships at all levels in the business community as a previous chief executive of BusinessNZ.

He is uniquely placed as a New Zealander at the leading edge of the global debate on issues such as the future of work, inequality and productivity.

In New Zealand, Phil chaired the Green Growth Advisory Group. His membership of public and private advisory boards and committees spans academia, research and development, business, labour and social development, and manufacturing and trade.

Phil is Managing Director at Iron Duke Partners.

Robert Reid

Robert Reid has over 40 years of experience in trade unions and community employment development. He is currently President of FIRST Union having served as General Secretary for 9 years until the end of 2017. He has also worked for several other unions and as a regional coordinator for the Council of Trade Unions.

Robert was co-ordinator of the Employment Network from 1984 to 1987, which included the coordination of the community stream of the Government's 1985 Employment Promotion Conference. He was a member of a Regional Employment and Access Council and contracted to the Social Impact Unit of the State Services Commission during the period of state sector restructuring in the mid-1980s. He chaired the Association of NGOs of Aotearoa (ANGOA) and the Commonwealth NGO Council in the 1990s.

Robert completed a Graduate Diploma in Economic Development in 2007.

Latayvia Tualasea Tautai

Latayvia Tualasea Tautai is a young Pacific leader from Auckland.

In 2016, Latayvia was head girl at Saint Dominic's College in Henderson and won the National Council of Women's speech competition for year 13 schoolgirls.

She is a second-year university student, studying on a University of Auckland Pacific Excellence scholarship towards conjoint law and arts degrees, majoring in Pacific studies and political studies.

Latayvia has lived experience of the welfare system, growing up in a household with a parent receiving main benefits.

She is an active volunteer in the Auckland region, including with St Vincent De Paul, Mt Eden Prison, Auckland City Mission and James Liston Hostel. She is the youth leader on the PACIFICA Inc West Auckland Executive, a recipient of the 2018 New Zealand Youth Award for Leadership, and on the Whau Youth Board.

Charles Waldegrave QSO

Charles Waldegrave leads the Family Centre Social Policy Research Unit. Charles is a joint leader of the New Zealand Poverty Measurement Project, the New Zealand Longitudinal Study of Ageing, Research and Measurement for the New Zealand Living Wage, and two National Science Challenge projects (Ageing Well and Building Better Homes, Towns and Cities).

He is an international member of the European research collaboration ROSEnet (Reducing Old-age Social Exclusion).

Charles publishes extensively in New Zealand and internationally. In 2009, he was made a Companion of the Queen's Service Order for services to social policy.

Michael Fletcher (special advisor)

Dr Michael Fletcher is an economist with extensive experience as a researcher, an academic and a policy advisor, specialising in welfare and social assistance policy, employment and employment relations, child poverty, child support and the financial consequences of marital separation. He has published numerous articles on these topics in New Zealand and internationally. (Michael is a special advisor to, not a member of, the Welfare Expert Advisory Group.)

Michael has worked as a policy advisor for the Ministry of Social Development, the Department of Labour (now part of the Ministry of Business, Innovation and Employment) and the Families Commission and as a consultant to The Treasury, Te Puni Kōkiri and other departments.

He is employed as Senior Research Fellow at the Institute for Governance and Policy Studies, Victoria University of Wellington. Michael is the New Zealand Correspondent for the Munich-based Max Planck Institute for Social Law and Social Policy.

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Appendix B: **Terms of Reference for the Welfare Expert Advisory Group**

These terms of reference (TOR) describe:

- Part A: Welfare Expert Advisory Group – proposed objectives and scope
- Part B: Welfare Expert Advisory Group – detailed function and operations

General matters

1. This document is a Terms of Reference approved by Cabinet following Ministerial consultation, and consultation with the Chair of the Welfare Expert Advisory Group (WEAG).
2. The Terms of Reference will remain in effect until 28 February 2019.
3. Decisions on any continuation of the WEAG beyond 28 February 2019 will be made by Cabinet in March 2019, following consideration of the WEAG advice.
4. The Minister will consult with Cabinet on any substantive proposed change to the Terms of Reference, and these Terms of Reference may be reviewed and amended by Cabinet at any time.

Part A: Welfare Expert Advisory Group – proposed objectives and scope

Introduction

1. Many of the main planks of the welfare system have been in place since the current Social Security Act was enacted in 1964. Since then, there have been significant social and economic shifts that have shaped New Zealand's social welfare landscape. Today, we experience pervasive and persistent inequities across a number of areas, and a growing concern for the marginalisation of different groups of New Zealanders. There is growing homelessness and complex housing demands alongside rates of poverty that are too high. It is timely at this critical juncture to evaluate whether our social welfare system remains fit for purpose in contemporary New Zealand.
2. The Government's vision is for a welfare system that ensures people have an adequate income and standard of living, are treated with and can live in dignity and are able to participate meaningfully in their communities.
3. The welfare system is part of an integrated Government approach that enables people to be earning, learning, caring or volunteering and ensures a dignified life for those for whom these options are not possible.
4. This Government acknowledges that an improved social welfare system is also an important lever to achieve one of its main priorities of improving the wellbeing of children, especially those who are economically disadvantaged, and to reduce the rates of children experiencing poverty. The emphasis of our social welfare system is on delivering compassionate, timely and appropriate support for those in need.

Objective

5. The Welfare Expert Advisory Group (the WEAG) is being established to provide advice to the Government on options that could best give effect to its vision for the future direction of the social welfare system.

Scope

6. The WEAG will advise the Government on:
   - amendments to the legislative purpose and principles of the Social Security Act that give effect to the vision and direction of the Government
   - how any amendments to the purpose and principles in the Act could be implemented system-wide
   - advice on other changes needed to ensure the system achieves the Government's vision for the Welfare System
   - changes to obligations and associated sanctions applied to beneficiaries to ensure alignment with the Government's vision
   - high level recommendations for improvements to Working for Families
   - recommendations for areas where the interface between the welfare system and other systems need to be improved either because they are not functioning well or in light of the Group's work on giving effect to the future vision for the welfare system – for instance:
     - ACC, education and training, housing, health and justice
7. The WEAG will also engage with and provide insights and recommendations about the work underway within MSD on achieving meaningful and lasting change within Work and Income to ensure that beneficiaries are treated with dignity and respect in all their interactions with the system.
8. The Minister for Social Development may also seek the WEAG's advice and views on specific Government proposals for reform in the context of Budget 2019.

Approach

9. In considering how to give effect to the Government's vision the WEAG should give due consideration to:
   - the evolving nature of contemporary New Zealand – changes to family structures, social needs and the changing labour market, and how these significant shifts might impact the future direction for the Social Welfare System.
   - ensuring simplicity in the social welfare system so that it is easy to understand, and people know about and are able to receive the assistance they are entitled to
   - economic and technological changes
   - ensuring good transitions to meaningful and sustainable employment as well as other positive outcomes are also recognised and valued (such as participation in the community and voluntary work)
   - improving outcomes for groups of people disproportionately impacted by negative social outcomes such as Māori, Pacific Peoples, youth, disabled people and people with health conditions.
   - how child wellbeing might be improved by the recommendations
   - the fiscal sustainability of their recommendations

Interactions with other Government work programmes

10. The WEAG should give due consideration to interactions between the welfare overhaul and related Government work programmes such as the Tax Working Group, Child Wellbeing Strategy (including the Child Poverty Strategy), and the Housing Strategy.

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Out of scope

11. The following are outside the WEAG's scope:
    - New Zealand Superannuation (NZS)
    - Veteran's Pension and War Pensions
    - Student Support System
12. While the above areas are excluded from scope, the WEAG may require flexibility to consider some matters relating to those systems. This may include areas relating to issues created as a result of interfaces between the systems, or areas where clients may experience the same issues or complaints across the systems.

Engagement

13. The WEAG must take a participatory and independent approach that prioritises the experience of people interacting with the welfare system.
14. The WEAG will be required to undertake appropriate consultation with key stakeholder groups, including but not limited to iwi and Māori, Pacific Peoples, and disabled people.

Part B: Welfare Expert Advisory Group – detailed function and operations

Purpose

1. The Welfare Expert Advisory Group (the WEAG) is being established to provide advice to the Government on options that could best give effect to its vision for the future direction of the social welfare system

Deliverables

2. The WEAG will deliver its final advice to Ministers by February 2019 in a written report.
3. A decision on any continuation of the group will be made by Cabinet in March 2019, following consideration of the WEAG's advice.

Accountability

4. The WEAG is accountable to the Minister for Social Development for the quality and timeliness of its advice and reports.
5. A Senior Officials Group will be accountable to the Minister for Social Development for:
    - the provision of an appropriately resourced Secretariat, and
    - supporting the Secretariat to deliver timely, good quality advice to the WEAG.

Membership

6. The WEAG shall consist of no more than 11 members, including the chair.
7. The WEAG and members of the group are appointed by the Minister for Social Development following consideration by Cabinet.
8. Members shall be appointed for a period determined by the Minister for Social Development.
9. The Minister for Social Development may remove a member of the WEAG from that office by issuing a written notice stating the date from which the removal of the member is effective. The Minister may, at her discretion, consult with the Chair before removing a member of the WEAG.
10. The Chair may be removed from the WEAG by the Minister for Social Development issuing a written notice stating the date from which the removal of the Chair is effective.

11. Any member of the WEAG may tender their resignation at any time by way of letter addressed to the Minister for Social Development.
12. Members are expected to act in good faith, with integrity and with reasonable care in performing their duties on behalf of the WEAG.

Fees

13. Fees are determined under the Cabinet Fees Framework set out in Cabinet Office Circular CO (12) 06.

Conduct of Business

14. The Chair of the WEAG will agree an approach with the Minister for Social Development on how it will carry out its work programme. The WEAG will operate with the Minister on a no surprises basis.
15. The WEAG must actively recognise and address Treaty of Waitangi interests throughout their work.
16. The Chair may, in consultation with the WEAG and Minister for Social Development as required and consistent with these Terms of Reference, issue policies and protocols to inform the day to day working of the WEAG and expectations of members (for example, protocols for storage of confidential information).

Acting Arrangements

17. If the Chair is unavailable to attend a meeting, they must nominate a member to act in their place.
18. Members may not delegate attendance at meetings.

Quorum for meetings

19. A meeting quorum will be no less than six members of the WEAG, including the Chair.

Advisors

20. With agreement from the Chair, the Minister may approve a Special Advisor to the WEAG to provide ongoing specialist knowledge to complement the skills and experience of the WEAG and assist with deliberations.
21. The Special Advisor is not an appointed member of the WEAG.
22. The WEAG has the ability, and will be funded, to access independent advisors to assist with its work (for example, to commission specific research or analysis).

Advice from officials

23. In order that the WEAG can fully execute its functions, the Ministry of Social Development, the Treasury and Inland Revenue will support the WEAG by providing timely advice and information to the WEAG and Secretariat.

Information Requests

24. All advice or information produced by the WEAG or provided by government agencies will be subject to the provisions of the Official Information Act 1982. All advice provided by government agencies to Ministers and/or Chief Executives will be subject to the provisions of the Official Information Act 1982.
25. Decisions on the release of information will be determined after consultation with any party whom the WEAG has determined as an interested party to the proposed information that may be released.

Public communications

26. The WEAG will conduct planned engagements with stakeholders. The WEAG Chair will approve all such engagements.

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27. Members of the WEAG will seek agreement from the Chair before communicating any aspects of the WEAG's work in public fora. This includes, but is not limited to, blogging, media engagement, and academic work.

Authority of the Chair

28. Where there is any uncertainty regarding the conduct of WEAG members in accordance with these Terms of Reference, or matters of concern, these are to be referred to the Chair for direction.

Secretariat

Function and role

29. The WEAG will be supported by a Secretariat, made up of seconded officials from the Ministry of Social Development, the Treasury and Inland Revenue. The Ministry of Business, Innovation and Employment may choose to second a staff member, depending on the Secretariat's requirements.
30. The Secretariat will assist the WEAG to complete its work by responding to requests from the WEAG, seeking information and advice from agencies, leading the process to brief WEAG members on issues and options within the welfare system, and drafting the WEAG's final report.
31. The WEAG may request advice and analysis from the Secretariat on any matter within the scope of its Terms of Reference.
32. The WEAG may request that the Secretariat develops advice that is independent from agency perspectives.
33. The Secretariat will be led by a Director who will have overarching responsibility for the efficient functioning of the Secretariat in meeting the needs of the WEAG.
34. Decisions on appointments to the Secretariat will be made by respective government agencies. The Chair will have an opportunity to provide feedback on proposed candidates, but has no decision-making rights.

Relationship between the Secretariat and WEAG

35. The Director of the Secretariat will be accountable to the Chair of the WEAG.

Senior Officials Group

36. A Senior Officials Group will be established to support the successful delivery of the WEAG's work programme, by providing coordinated leadership and supporting the work of the Secretariat.
37. The WEAG Chair may request opportunities to meet with the Senior Officials Group to discuss matters relating to the welfare overhaul work programme (for example, the operations of the Secretariat or to request advice).

Conflicts of interest

38. Members should avoid situations that might compromise their integrity or otherwise lead to conflicts of interest.
39. The WEAG will put in place appropriate procedures, including a register of interests, to ensure that any potential conflicts of interest are identified and managed effectively.

Authority

40. The WEAG is an advisory group and has no authority to direct any government department or agency, employ staff, enter into contracts, or make commitments or undertakings on behalf of any Minister or Chief Executive.

Confidentiality

41. The WEAG should engage as much as possible with individuals and organisations to inform the review of the welfare system. The Chair should determine whether information is for sharing by the group, or is to be kept private or confidential, subject to the provision that all information provided by Government can be shared unless indicated otherwise.
42. Members of the WEAG may be presented with a range of private or confidential information, including on aspects of government agencies' business as well as commercially sensitive information. The expectation is that all Members will act professionally, respecting each other's and the Government's interests.
43. The work of the WEAG may also involve personal information. All Members will ensure that the collection, use, disclosure, and storage of personal information in connection with the WEAG is consistent with the Privacy Act 1993. These obligations continue, as appropriate, beyond membership in the WEAG.

Intellectual Property

44. Any report or work product developed by the WEAG will be the property of the Crown.
45. Government agencies, at their discretion, may use reports or other work products supplied or developed by the WEAG.
46. Nothing will affect the rights of a member or their employer in the intellectual property owned by that member or their employer prior to entering this engagement or developed by the Member other than in the performance of this engagement.

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Appendix C: **Treasury modelling of tax and welfare changes**

The Welfare Expert Advisory Group asked Treasury to estimate the impacts of the recommended changes to income support using their tax and welfare analysis (TAWA) model. This appendix summarises the limitations and caveats associated with TAWA modelling.

Description of the Treasury tax and welfare analysis model

Results are pooled estimates using the Household Economic Survey (HES) for tax years 2014/15, 2015/16 and 2016/17 (HES15, HES16, HES17), augmented with using Inland Revenue and Ministry of Social Development (MSD) data linked in the Integrated Data Infrastructure (IDI).

Status quo results correspond to the tax and welfare system as legislated at 1 April 2018 (that is, the Families Package).

Results provided for tax year 2020/21 are based on the Half-Year Economic and Fiscal update (HYEFU) 2018 forecasts of inflation and other economic and fiscal variables.

Risk and reliability assessment

The Treasury considers the poverty projections to have low reliability and medium risk.

The Treasury considers the fiscal costs to have medium reliability and medium risk.

The TAWA model cannot extend eligibility for core benefits, so individuals who may become newly eligible, due to rate and abatement changes, are not included in these results. However, estimates of the costs of new benefit recipients have been provided by MSD and are included in the estimates of fiscal cost.

Projections of low-income poverty are subject to large sampling errors, so should be considered indicative only.

The low-income poverty projections are based on the modified OECD equivalisation scale to be consistent with the Government Statistician's definitions in the Child Poverty Reduction Bill.

Accommodation Supplement is modelled using a sampling method.

General caveats

This analysis was carried out using Treasury's microsimulation TAWA model. All calculations should be considered estimations.

Access to HES data was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented here are the work of the Treasury, not Stats NZ.

IDI Disclaimer

The results in this report are not official statistics. They have been created for research purposes from the IDI, managed by Stats NZ.

The results of the TAWA model presented in this report are the work of the Treasury, not Stats NZ.

Access to the anonymised data used in this study was provided by Stats NZ under the security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business, or organisation, and the results in this report have been confidentialised to protect these groups from identification and to keep their data safe.

Careful consideration has been given to the privacy, security, and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the privacy impact assessment for the IDI available from www.stats.govt.nz.

Inland Revenue Disclaimer

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994. This tax data must be used only for statistical purposes, and no individual information may be published or disclosed in any other form, or provided to Inland Revenue for administrative or regulatory purposes.

Any person who has had access to the unit record data has certified that they have been shown, have read, and have understood section 81 of the Tax Administration Act 1994, which relates to secrecy. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

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Appendix D: **Full list of recommendations**

Purpose, values and principles

Recommendation 1: Amend the Social Security Act 2018 to state that anyone exercising power under the Act have regard to the following purpose and values.

The purpose of the welfare system is to whakamana tāngata and ensure a dignified life by:

- providing financial security and social security sufficient for an adequate standard of living
- supporting people to achieve their potential for learning, caring or volunteering, and earning through good and appropriate work

The welfare system is underpinned by Kia Piki Ake Te Mana Tangata, including kaupapa Māori values of:

- manaakitanga – caring with dignity and respect
- ōhanga – economics
- whanaungatanga – treasuring kinship ties and relationships
- kotahitanga – unity
- takatūtanga – preparedness
- kaitiakitanga – guardianship.

Recommendation 2: Use the following principles to guide the design and operation of the welfare system.

- Be person-centred and wellbeing focused.
- Keep children paramount.
- Value whānau and families.
- Treat people with dignity, respect and compassion.
- Provide an income sufficient for an adequate standard of living.
- Provide full and correct entitlements.
- Deliver support that is easy to access, timely and appropriate.
- Provide an employment service that supports people into good and appropriate work.
- Support the provision of housing that is affordable, secure, of good quality and appropriate for the person (and their family or whānau).
- Promote mutual expectations.
- Aim for equitable outcomes.
- Build and maintain effective links with other parts of government.
- Be sustainable.

Recommendation 3: Establish a cross-ministerial approach to implement and monitor the effectiveness of the implementation and impact on outcomes of the Welfare Expert Advisory Group's recommendations (across welfare, health, housing, justice, education and employment) that is cognisant of responsibilities under Te Tiriti o Waitangi (the Treaty of Waitangi) and involves users of the welfare system.

Recommendation 4: Direct the Chief Executive of the Ministry of Social Development to design and implement a welfare system that will fulfil the new purpose and principles of the amended Social Security Act, is cognisant of responsibilities under Te Tiriti o Waitangi and involves users of the system.

Recommendation 5: Direct the Ministry of Social Development and Inland Revenue to publish yearly, whether as part of their Annual Reports or Statement of Intent, or as a standalone report, information on key outcomes for those interacting with the welfare system, including information about full and correct entitlements, take-up rates of payments, employment outcomes, the impact of employment supports and services, and after-tax and abatement earnings.

Measures should include:

- full and correct entitlement for all who are eligible by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- take-up rates of payments by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- employment outcomes by benefit type, ethnicity, gender, location, health conditions and disabilities, age, and duration off benefit (3, 6 and 12 months)
- impact of employment supports and services on outcomes by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)
- after-tax and abatement earnings for those receiving financial support from Inland Revenue or the Ministry of Social Development by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years).

Recommendation 6: Embed the competencies required to achieve greater equity for Māori in the job descriptions, key performance indicators and performance reviews of the Ministry of Social Development's management and staff.

Recommendation 7: Include in the amended Social Security Act specific requirements for the Chief Executive of the Ministry of Social Development to be accountable to iwi (as recognised collectives) and to Māori (as individuals, whānau and communities) for achieving equitable wellbeing outcomes for Māori from the welfare system.

Recommendation 8: Direct the Ministry of Social Development to commit to building its cultural responsiveness to Pacific People, to achieve equitable outcomes for Pacific People engaging with the welfare system. Cultural responsiveness includes having an awareness of cultural obligations experienced by Pacific People around contributions for weddings, funerals and other critical cultural events and taking account of the nuances within diverse Pacific communities.

Improving outcomes for Māori

Recommendation 9: The Welfare Expert Advisory Group recommends, in addition to the recommendations elsewhere that will improve outcomes for Māori, the Government:

- supports the Ministry of Social Development to continue to shift towards whakamana tāngata – to build the mana of others and uplift them in a way that honours their dignity
- supports the Ministry of Social Development to continue to review and evaluate, with Māori, the services the Ministry delivers to ensure they are effective in improving outcomes for Māori
- works with Māori to consider other effective ways of delivering welfare services and funding that are informed by Te Ao Māori, including longer-term, whānau-centred, strengths-based initiatives.

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Rebalancing the social contract – improving the operation of the welfare system

Detailed recommendations for this section are listed on page 91.

Restoring trust

Recommendation 10: Develop a mutual expectations framework to govern interactions between the Ministry of Social Development and those who interact with the welfare system.

Recommendation 11: 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).

Recommendation 12: Improve outcomes by ensuring the public-facing, frontline service is consistent with the new purpose and principles through sufficient resourcing (for example, staffing, support and services), an appropriate performance framework, and complaints and disputes processes.

Recommendation 13: Assist recipients of Sole Parent Support to return to part-time work when their youngest child is 6 years old (subject to supports being available, such as good quality childcare) instead of the current 3 years. Support but not require all sole parents to return to work when their youngest child is under 6 years old.

Reducing the generation of debt

Recommendation 14: Continue to prioritise a reduction in outstanding benefit debt through sustainable repayments, and minimise the creation of overpayments, including reviewing recoverable hardship assistance and current practice, to be more consistent with whakamana tāngata.

Recommendation 15: Align the regulations and practice around benefit debt so that it is treated in substantially the same way as Inland Revenue treats taxpayer debt.

Recommendation 16: Instigate a cross-government approach to managing debt to government agencies.

Minimising the small amount of fraud

Recommendation 17: Endorse the Ministry of Social Development's three-tiered approach to responding to fraud allegation: intervene, facilitate and, as a last resort, investigate. Apply the principles of natural justice in all steps, and, if the outcome is disputed, permit a review independent of the Ministry of Social Development.

Interface with the justice sector

Recommendation 18: Enhance and improve the support for people exiting prisons, including increasing the Steps to Freedom grant, and ensuring that any person who leaves prison has appropriate identification and is engaged with specialised care and supportive housing initiatives. Move practices around prisoner integration out of the 'pilot' stage and draw on evaluation data to embed integrated support for these individuals.

Detailed recommendations

Theme	Detail
Mutual expectations framework	Reform the obligations and sanctions regime into a system of mutual expectations and responsibilities, apply these according to the circumstances of the individual and in a way that is consistent with the proposed purpose, principles and values. Strong checks to mitigate potential negative impacts on individuals and their families will be required. This new approach is strongly connected to improving wellbeing and supporting the increased skills and labour market capacity of the individual and family or whānau.
Obligations and sanctions removal	Remove: • the requirement to complete specific activities before a benefit is granted (pre-benefit activities) • the sanction where benefit payments stop if people have a warrant out for their arrest, and continue data matching with the Ministry of Justice and take a proactive supportive approach to contacting these people • social obligations that require people receiving a benefit to take all reasonable steps to have their children enrolled with a medical practice, be up to date with their Wellchild/Tamariki Ora checks and be attending early childhood education or school • pre-employment drug testing and provide specialised support for people with substance use disorders • the mandatory work ability assessment for people with health conditions or a disability and link workability assessments to return to work plans • the requirement to reapply for a benefit every 52 weeks – MSD is expected to provide full and correct entitlements through regular reviews (at least annually) • work obligations when an additional child is included in a benefit (the subsequent child rule) • the sanction on not naming another parent (was section 70A in the Social Security Act 1964 and is now section 192 of the Social Security Act 2018).

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Theme	Detail
Resourcing and other processes of the public-facing, frontline service are consistent with the new purpose and principles	Resource frontline services to the level required to achieve outcomes as a priority. Implement an ongoing, comprehensive, active and agile staff training strategy. Adopt an improved and accessible complaints process that is measured by a satisfactory restoration of the relationship between the parties. Make the review process simpler, speedier and more accessible, and ensure the principle of natural justice is observed. Make a further hearing at the Social Security Appeal Authority available to those who take an unsuccessful claim to the Medical Appeals Board. Assign people likely to be in long-term receipt of a benefit or with complex needs a dedicated case manager, and give such case managers small caseloads so they can adequately address the wellbeing of the person in need and their family or whānau. Resource the workforce adequately, and streamline systems in consultation with the frontline workforce to improve work flow and recipient service experience. Put people at the centre of decision making, seek feedback from staff about how system changes affect their roles, and empower staff to work proactively to enhance the mana of benefit recipients. Provide multiple channels for service so applicants can access assistance through whichever channel they are most comfortable using. Take a Whānau Ora-type approach where the complexity of a person's situation means multiple agencies are involved and skilled navigators support the person's interactions with the agencies and community organisations.

Reducing the generation of debt

Theme	Detail
Ways to minimise the creation of overpayments and reduce overall indebtedness	Review all hardship payments and ensure eligibility is in line with the new purpose and principles of the Social Security Act. Give MSD the mandate to improve, simplify and redesign practice around income declarations. Increase funding for community initiatives that promote financial literacy and for debt reduction, such as no interest, no fee and debt consolidation loans. Introduce a scheme of incentivising benefit debt repayment, such as a Matched Debt Reduction Scheme, to reduce outstanding benefit debt. Review internal performance measures relating to debt, to bring them in line with the new purpose and principles.

Minimising fraud

Theme	Detail
Minimising the small amount of fraud	Endorse MSD's three-tiered approach towards alleged fraud. Introduce independent review proceedings prior to a Benefit Review Committee for prosecution investigations. Explore and align prosecution practice with Inland Revenue's approach to prosecution.

Improving the interface with the justice sector

Theme	Detail
Improving the service provided to people released from prison	Scale up the Supporting Offenders into Employment intervention and MSD's reintegration efforts, in conjunction with the Department of Corrections. Pastoral care for people released from prison should be increased. Review and increase the current value of the Steps to Freedom grant, to ensure it is adequate for basic living costs, including housing. Monitor and ensure prisoners have the appropriate documentation to obtain income support or work on release (for example, an official form of identification, a driver's licence, bank account, contact details). Consider continuing housing cost assistance for people entering prison for a short period, on remand or in custody.

Income adequacy

Benefits, Working for Families and supplementary assistance

The following recommended changes need to provide people on low incomes with significantly more than they currently receive (without disadvantaging others on low incomes). Recommendations 19 to 23 should be implemented urgently.

Recommendation 19: Adopt the following 10 principles to redesign the income support system.

- Income support is adequate for meaningful participation in the community, and this support is maintained over time.
- Income support ensures people are always better off in paid work and high effective marginal tax rates are avoided as much as possible.
- Main benefits cover a larger proportion of people's living costs than they do currently (reducing reliance on other assistance).
- Child-related payments follow the child and can be apportioned with shared care.
- Payments for specific costs provide support that is adequate, appropriately designed and easy to access.
- Changes to income support reduce disincentives to form relationships.
- The income support system proactively supports people to access their full and correct entitlements and promotes these entitlements to the broader population.
- The income support system is easy to access and provides timely support, including to people transitioning in and out of the system.

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- The income support system is as simple as possible balanced against the need to provide adequate support for people in a variety of circumstances at a reasonable cost to government.
- People are treated with dignity and respect when accessing this support.

Recommendation 20: Reform main benefits by:

- increasing main benefits by between 12% and 47% as set out in table 2, page 99
- increasing the abatement thresholds for:
  - Jobseeker Support to $150 a week
  - Sole Parent Support and Supported Living Payment to $150 a week and $250 a week.

Recommendation 21: Fully index all income support payments and thresholds annually to movements in average wages or prices, whichever is the greater. Index Accommodation Supplement rates to movements in housing costs.

Recommendation 22: Consider introducing a Living Alone Payment that contributes to the additional costs of adults living alone (without another adult) on a low income.

Recommendation 23: Reform Working for Families and other tax credits by:

- increasing the Family Tax Credit to $170 a week for the eldest child and to $120 a week for subsequent children
- increasing the abatement threshold for the Family Tax Credit and changing the abatement rate to:
  - 10% on family annual incomes between $48,000 and $65,000
  - 15% on family annual incomes between $65,000 and $160,000
  - 50% on family annual incomes in excess of $160,000
- replacing the In-Work Tax Credit, Minimum Family Tax Credit and Independent Earner Tax Credit with a new Earned Income Tax Credit
- introducing an Earned Income Tax Credit of up to $50 a week for people with and without children and with a couple-based income test
- making the Best Start Tax Credit universal for all children aged under 3 years.

Recommendation 24: Reform supplementary assistance and hardship assistance so they are adequate, appropriately designed and easy to access.

Recommendation 25: Require the Ministry of Social Development to, within 2 years, complete work, including commissioning independent research and focus groups, to establish a minimum income standard for New Zealand (with 5-year reviews).

Recommendation 26: Increase, as soon as possible, overall income support to levels adequate for meaningful participation in the community, as defined by the minimum income standard (which reflects different family circumstances, for example, children, disabilities and regional area) and maintain this level of support through appropriate indexation.

Passing on child support

Recommendation 27: Pass on all child support collected to receiving carers, including for recipients of Unsupported Child's Benefit.

Clarifying eligibility and relationship status

Recommendation 28: Move income support settings over time to be more neutral on the impact of being in a relationship in the nature of marriage.

Detailed recommendations

Benefits and supplementary assistance

Theme	Detail
Main benefits	• Remove youth rates of main benefits. Increase Jobseeker Support for under 24 years living away from home (and the rate of Youth Payment) to match the rate for people 25 and older, and increase Supported Living Payment for 16–17 year-olds to the rate for people aged 18 and over. • Remove initial income stand-down periods. • Remove the 13-week non-entitlement period for voluntary unemployment. • Remove the 30-hour rule. • Introduce individual entitlement to Jobseeker Support while retaining a couple-based income test. • Keep sole parents on Sole Parent Support until their youngest child turns 18 (rather than switching them to Jobseeker Support once their youngest child turns 14). • Consider changing the name of Jobseeker Support – Health Condition or Disability to better reflect people's needs (for example, Health Support).
Hardship assistance	• Increase income and asset limits to allow a larger proportion of low-income working people to access payments. • Review and increase grant limits so they cover current costs, including for emergency dental treatment. • Make a larger proportion of payments non-recoverable (for example, those for the costs of school uniforms). • Review the Temporary Additional Support formula, including the accommodation loading and maximum amount, so it adequately covers costs.
Income definition	• Align definitions of income and assets with those established by Inland Revenue, unless there are clear and robust reasons for a different definition. • Treat earnings-related compensation from ACC the same as other income from work in the benefit system. • Review how income is measured and allocated to people, including assessment periods – especially in the treatment of lump-sum payments, retrospective payments, joint investments and annual business income.

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Assistance related to children and families

Theme	Detail
Family Tax Credit	• Align shared care rules for the Family Tax Credit with child support – 35% of care. • Extend the 4 weeks 'terminal payment' to the Family Tax Credit. • Consider how increases in the Family Tax Credit should impact on the rates of Unsupported Child's Benefit and Orphan's Benefit.
Best Start Tax Credit	• Consider changing the interaction between Best Start and Paid Parental Leave to avoid overpayments.
Child Tax Credit	• Repeal the Child Tax Credit.
Childcare Assistance	• Change the definition of income to remove other non-taxable transfer payments (for example, Accommodation Supplement, Disability Allowance and Temporary Additional Support). • Improve take-up by promoting greater awareness to working families, alongside Inland Revenue (given its role in administering Working for Families). • Review subsidy rates (and their interaction with minimum session times in childcare and Out of School Care and Recreation (OSCAR) services), to determine if they are adequately subsidising costs, and increase the rates if they are inadequate. • Consider increasing income thresholds to provide greater subsidisation of childcare costs for low- and middle-income working families, so that effective marginal tax rates for these families are not too high.
Child support	• Treat child support received as income for benefit abatement (already income for the Family Tax Credit). • Treat child support paid as a reduction in income for benefit abatement (already a reduction in income for the Family Tax Credit). • Remove compulsory application for child support (except for recipients of Unsupported Child's Benefit). • Shorten the application form and make more application options available (for example, online). • Review the expenditure table to reflect changes in Family Tax Credit payments.
Shared care	• Align shared and split care rules for main and supplementary payments with the Family Tax Credit and child support.

Eligibility

Theme	Detail
Ensuring benefit settings have less impact on partnering decisions	• Allow a 6-month period (rather than the current 6 weeks) after people move in together as a couple before a relationship is deemed to exist for the purposes of determining benefit eligibility. • Do not deem two people who do not live together as being in a relationship for the purposes of welfare support. • Investigate other moves towards greater neutrality in respect of relationship status, including increased individualisation of benefit entitlement, bringing the couple rate of benefit closer to two times the single rate, and improving alignment between the approach taken by MSD and in other legislation. • Consider introducing a short-term entitlement (for example, 6 months) to a main benefit for partnered people who lose their jobs or incomes (due to redundancy, a health condition or disability, or a health condition or disability of a dependent child) through an earnings disregard of their partner's income (up to a cap of around $48,000 a year) for this period.

Alleviating the housing conundrum

Recommendation 29: Urgently expand and accelerate Government efforts to substantially increase public housing on an industrial scale and continue urgent efforts to end homelessness.

Recommendation 30: Increase the range of home ownership and tenure options for people on low and low–middle incomes.

Recommendation 31: Increase the capacity of third-sector community-based housing providers.

Recommendation 32: Develop and enact laws and regulations to ensure healthy homes and housing security, decent standards of housing quality, universal design, and accessibility

Recommendation 33: Subsidise housing costs for people on low incomes (in addition to raising main benefit rates to provide an adequate income) and ensure the combination of changes to housing support and abatement rates make households better off.

Recommendation 34: Improve access to affordable, suitable housing support for people on low and low–middle incomes, including a range of affordable home-ownership products and papakāinga housing.

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Detailed recommendations

Theme	Detail
Subsidising housing costs for those on low incomes	Housing subsidies could be improved by: • extending the period from 2 months to 6 months before income-related rent for public housing is increased after the tenant moves into employment • changing the way Accommodation Supplement payments are calculated, so indexing maintains relativity with housing costs, and removing differences between renters and homeowners. Specifically in relation to Accommodation Supplement: – increasing the maxima to the median regional rental rates (for the latest year available) – reviewing the maxima and the area locations annually to maintain the value of the payments with changes in median rental rates in different parts of the country over time – decreasing the co-payment rate from 30% to 25% (that is, increase the Government contribution from 70% to 75%) – decreasing the entry threshold for homeowners from 30% to 25% to align with renters – allowing people who are studying (and meet the criteria for Student Allowance) but who do not receive Student Allowance, to apply for Accommodation Supplement. Increase the cash asset limit on Accommodation Supplement to $42,700, to align with the cash asset limit for social housing: – index the cash asset limit to maintain relativity over time – remove the cash asset abatement test for Accommodation Supplement – amend the definition of cash asset to exclude the proceeds from the sale of a house, for a reasonable period, to allow the person to re-enter the housing market, taking account of any special requirements or modifications the person or their family may require to a house. Improve the take-up rate of Accommodation Supplement and Temporary Additional Support for non-benefit recipients through greater cooperation with Inland Revenue, better use of its information, and increased publicity and proactive activity. Increase the flexibility in the requirement to review and renew Temporary Additional Support when assessments relate to housing costs, with reviews between 3 and 12 months tailored to individual circumstances, and accordingly rename, such as 'Tailored Additional Support'. Ensure the combination of changes to housing support and abatement rates, alongside other income support, make low- and low–middle income households substantially better off.

Theme	Detail
Government to undertake further work	Determine the impact on low-income households of maintaining levels of Accommodation Supplement for a reasonable period for beneficiaries who move into full-time work, so they are well supported to remain in work and able to clear debts and build savings, similar to the recommendation on income-related rent subsidy. Change the way Accommodation Supplement payments are calculated to move away from family size to being based on the number of bedrooms, including allowing bedroom space for a disability support person and for children in shared custody, and determine the impact of this change on low-income households. Review the level of the cash asset limit for the income-related rent subsidy and Accommodation Supplement, to maintain the principle that it allows people to save for a mortgage deposit for a median-priced house. Review, as the supply-side measures increase and affordability improves, the roles of MSD, Housing New Zealand and the Ministry of Housing and Urban Development to consider whether an integrated, single-agency approach to housing might be preferable. Review the housing assessment and allocation process so there is an appropriate balance between placing locals waiting to be housed and high-needs households from outside the region.
Home ownership and tenure options and ending homelessness	Consider the following approaches: • facilitate innovative thinking and action to increase home ownership through rent-to-buy schemes, shared equity schemes, low-interest rate loans or fixed mortgages, microfinancing and similar • request Housing New Zealand to develop affordable options for tenants to purchase their state house. These approaches must be based on achieving equity in housing outcomes, including ownership, for Māori and Pacific People. This should result in culturally appropriate rental and ownership housing, including household size and function, and include papakāinga options.

Improving access to employment supports and work

Supporting working-age adults

Recommendation 35: Establish an effective employment service of the Ministry of Social Development so it is better able to assist people to obtain and keep good, sustainable work.

Recommendation 36: Revamp active labour market, labour market, employment and training policies across government to make them more coherent and effective.

Recommendation 37: Strengthen the Ministry of Social Development's redundancy support policies to better support displaced workers.

Supporting youth to engage in education, training or paid work

Recommendation 38: Abolish, in the Youth Service, compulsory money management, and separate case management from youth mentoring so it is consistent with and has a positive youth development focus.

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Recommendation 39: Use evidence-based approaches that support young people to be learning, earning and, where young people are parents, caring. These approaches need to build on the strengths of young people and provide a basis for their long-term engagement with the changing world of work.

Detailed recommendations

Theme	Detail
An effective employment service	Institute a new operating model that provides people at risk of poor labour market outcomes (including Māori, Pacific People, people with health conditions or disabilities, and people whose jobs have been made redundant) with proactive and sustained support to obtain good, sustainable work. Increase significantly investment (with appropriate monitoring and reporting) in active labour market programmes. Establish a dedicated deputy Chief Executive for employment in MSD. Provide sufficient numbers of well-trained, well-resourced, regional labour market managers and specialist employment case managers in MSD. Provide public employment services to people at risk of becoming unemployed.
Revamp of Active Labour Market Programmes, labour market and training policies	Review a whole-of-government approach to labour market, training and vocational education (with MSD as an integral partner) with MBIE, Te Puni Kōkiri, Ministry of Pacific Peoples, Tertiary Education Commission, Careers New Zealand, polytechnics, industry training organisations, and regional and local government. Establish national and regional advisory groups of the social partners (government-business-union), iwi and regional and local government to implement employment and active labour market policies at a national and regional level. Resource and develop a portfolio of labour market programmes that is driven by local labour market conditions, evidence based, and informed by all relevant national and local labour market data. Access the best international data and programmes so New Zealand is well placed for a future labour market in which more people might more frequently transition in and out of work and where there is a greater need to support workers to re-skill or up-skill due to displacement or moving in or out of casual work. Make labour market programmes and work far more accessible for disabled people.
Loss of employment	Establish a short-term (for example, 6 months) benefit for partnered people who lose their jobs or incomes (for example, due to redundancy) through an earnings disregard of their partner's income (up to a cap) for this period (see the detailed recommendations table in chapter 7). Adequately fund redundancy support programmes, which include a suite of free or subsidised training and education courses, for workers who experience redundancy. Ensure people can resume benefits readily (to allow for unpredictable changes in income and to provide people with confidence to take up employment), including removal of income stand-down periods.

Theme	Detail
Young people supported to be earning, learning and, where they are parents, caring	Increase investment in well coordinated and youth development-focused programmes to help young people into education, training, alternative employment opportunities or volunteering. Tailor youth initiatives to their communities. Take an evidence-based approach, informed by the voices of young people and building on the strengths of young people, and provide a basis for their long-term engagement with the changing world of work. Provide assistance with a specific focus on the needs of rangatahi Māori, Pacific youth and young people with health conditions or disabilities, to provide more equitable outcomes and success for these groups of young people.

People with health conditions and disabilities and carers

Recommendation 40: Improve the health and wellbeing of people with health conditions and disabilities, along with carers of people with health conditions and disabilities who interact with the welfare system by:

- providing financial support that is adequate to live a life with dignity and is equitable across the social sector
- implementing evidence-based approaches to support engagement in good, suitable work and the community where this is possible
- implementing strategies to prevent work-limiting health conditions and disabilities.

Recommendation 41: Include in the scope of the New Zealand Health and Disability System Review the relationship between the health and disability system and the accident compensation scheme and how the relationship between these and the welfare system could be changed to improve outcomes for people with health conditions and disabilities and carers.

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Detailed recommendations

Theme	Detail
Improving income support for people in the welfare system with health conditions or disabilities and carers of people with health conditions or disabilities	**Main benefits** Consider increasing financial support for people affected by health conditions and disabilities not due to an accident to be equivalent to that provided by the accident compensation scheme. Treat people with similar levels of disability – whether caused by illness or injury – similarly. Link this support to relevant employment support where work is a possibility. Introduce time-limited individual entitlement for income and employment support for low-income families suffering from health shocks (see the eligibility section of the detailed income support recommendations, page 118). Consider transferring to New Zealand Superannuation people on Supported Living Payment who are so unwell or disabled that there is no foreseeable chance they will come off the benefit during their life. Align the abatement rate of non-blind disabled people receiving Supported Living Payment with that of the blind, to address the current inequity.
	Assistance for the cost of having a health condition or disability Redesign supplementary assistance for people with health conditions or disabilities, so it is easier to access and more accurately covers the costs of having the health condition or disability. Increase the level of income support provided by Disability Allowance with three rates (low, medium and high) related to the degree of burden of disability or care needed. Increase the level of income support provided by Child Disability Allowance, and introduce three rates (low, medium and high) related to the degree of burden of disability or care needed. Direct the Ministry of Social Development and Ministry of Health to clarify where responsibility for covering the cost to individuals of health conditions and disabilities should lie and make this transparent, known to the public, and accessible. Include in the New Zealand Health and Disability System Review how cost and other barriers can be reduced so people on low incomes can access primary care, dental care, alcohol and other drug services, mental health care, secondary care, and vision and hearing services.
	Carers De-couple Supported Living Payment Carer from Supported Living Payment, and create a carers benefit that continues to be paid at the same rate as Supported Living Payment. This allows more flexibility in the provision of non-financial support. Introduce an annual carers payment to help meet the additional costs associated with care.

Theme	Detail
Implementing in the welfare system a comprehensive approach to support the suitable employment of people with health conditions and disabilities and carers of people with health conditions and disabilities	Implement within the welfare system a comprehensive approach to support the suitable employment of people with health conditions and disabilities and carers that includes: • early intervention with the right level of support • support for part-time work • evidence-based integrated employment and health supports and services • improved access to health supports and services to support return to work, with particular support for people with mental health problems or chronic conditions • easy re-entry to a benefit if employment ends • support for employers to take on or retain people with health conditions and disabilities and carers (for example, wage subsidies and workplace accommodations). Support the recommendations of the Government Inquiry into Mental Health and Addiction and the 2018 OECD report *Mental Health and Work: New Zealand*, because of the large proportion of people receiving health and disability benefits whose primary barrier to work is a mental health condition.
Meaningful community participation to promote wellbeing	Work with the Ministry of Health to ensure those who are unlikely to ever engage in paid work are supported to participate meaningfully in their communities.
Prevention and harm reduction	Work to eliminate people's negative experiences with MSD, which worsen mental distress, by changing the way MSD interacts with people in line with our proposed purpose, principles and values. Government to prioritise the prevention of ill health and disability by: • overseeing and coordinating cross-government responses to improving social wellbeing, including tackling the social determinants of poor health and disability • enhancing cross-government investment in prevention and resilience-building activities for young people and people in workplaces.

Community

Recommendation 42: Direct the Ministry of Social Development to develop the capacity and capability to engage with, promote and fund community organisations to provide wide-ranging opportunities for volunteers and people receiving benefits to be meaningfully engaged in their communities.

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Appendix E: **Technical information and background papers**

WEAG papers prepared for this report

WEAG 2019. *Views on New Zealand's welfare system*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Understanding benefit debt.* Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Example families and budgets: Investigating the adequacy of incomes.* Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Welfare and housing interface: Context and background on housing assistance*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *The take-up of income support: Analysis and options*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Income support system*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *A brief history of family support payments in New Zealand*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Child support: Objectives and key rules for benefit*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Welfare and housing interface: Evidence and policy options*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Labour market.* Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Current state: The welfare system for people with health conditions and disabilities.* Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

WEAG 2019. *Current state: Carers of people with health conditions or disabilities*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington

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MSD. 2018. *Families and whānau and the benefit system - a high-level initial briefing for the Welfare Expert Advisory Group*. Paper prepared for the Welfare Expert Advisory Group (WEAG), 16 May 2018, Wellington: Ministry of Social Development.

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MSD. 2019. *Obligations and Sanctions Rapid Evidence Review Paper 4: Drug Testing Obligations and Sanctions*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

MSD. 2019. *Obligations and Sanctions Rapid Evidence Review Paper 5: The 52-Week Reapplication for Sole Parent Support and Benefit Cancellations*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

MSD. 2019. *Obligations and Sanctions Rapid Evidence Review Paper 6: Voluntary Intensive Case Management*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

MSD. 2019. *Obligations and Sanctions Rapid Evidence Review Paper 7: Social Obligations*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

MSD. 2019. *Obligations and Sanctions Rapid Evidence Review Paper 8: Work Obligations for Sole Parents and Outcomes for Children*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

MSD. 2019. *Rapid Evidence Review: The impact of poverty on life course outcomes for children, and the likely effect of increasing the adequacy of welfare benefits.* Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington: Ministry of Social Development.

Rea, D, Anastasiadis, S, Benny, V, Jhe Lee, W, Smith, C, & Vandenbroucke, B. 2018. *Exploring a new approach to wellbeing measurement: Are people who move from benefit to paid employment better off?* Prepared for the Welfare Expert Advisory Group, October 2018, Wellington: Ministry of Social Development & Social Investment Agency

Rea, D, Benny, V, Jhe Lee, W, Smith, C, & Vandenbroucke, B. 2018. *The living standards of people supported by income-tested main benefits*. Prepared for the Welfare Expert Advisory Group, October 2018, Wellington: Ministry of Social Development & Social Investment Agency

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