

## Welfare Reform Factsheet and Q & A

The Government is reforming New Zealand's welfare system with an active, work-based approach, starting with the belief that most people can and will work.

We are simplifying the benefit system and taking a long term investment approach to getting people off welfare and into work. This means more intensive support will be provided to people who are capable of working and who are likely to remain on benefit long term without that support.

The expectation is for the majority of beneficiaries to be available and looking for work.

Currently 351,000 people or 13 per cent of working age New Zealanders are on benefits and policy changes are needed to better support more people into work.

Three new benefit types will replace the current range of benefit types.

### Jobseeker Support \*figures in tables below as at January 2012

Current Benefit		New Benefit	Feature of New Benefit
Unemployment Benefit	62,000	Jobseeker Support <b>135,100</b>	<ul style="list-style-type: none"> <li>• Work focused benefit</li> <li>• Work expectations according to capability</li> <li>• Part-time/full time/temporarily exempt</li> </ul>
Sickness Benefit	60,000		
DPB parents, children over 14	11,000		
Widows, children over 14	5,200		
DPB Women Alone	3,900		

### Sole Parent Support

Current Benefit		New Benefit	Feature of New Benefit
DPB parents, children 5-13 years	40,200	Sole Parent Support <b>93,250</b>	<ul style="list-style-type: none"> <li>• Part time work expectation</li> <li>• Training, parenting, budgeting support</li> </ul>
Widows, children 5-13 years	900		
DPB parents, children under 5	52,000		
Widows, children under 5	150		

### Supported Living Payment

Current Benefit		New Benefit	Feature of New Benefit
Invalid's Benefit	83,000	Supported Living Payment <b>92,500</b>	<ul style="list-style-type: none"> <li>• No work expectation</li> <li>• Targeted to genuine need</li> </ul>
DPB care of sick and infirm	7,500		

### Youth Payment and Young Parent Payment

Current Benefit		New Benefit	Feature of New Benefit
16 & 17 (incl teen parents) Independent Youth Benefit: 1,200 Emergency Maintenance Allowance: 500		Youth Payment <b>1,700</b>	<ul style="list-style-type: none"> <li>• Expectation to be in education or training</li> <li>• Managed payments</li> <li>• Essential costs paid direct, living costs managed</li> <li>• Support for childcare, budgeting and parenting</li> <li>• Incentive payments</li> </ul>
Teen parents (16-18) Domestic Purposes Benefit: 1000 Emergency Maintenance Allowance: 165		Young Parent Payment <b>1,065</b>	

### **Jobseeker Support**

This benefit has a clear work expectation for all beneficiaries on it, though some will have temporary exemptions based on individual circumstances. The majority of Jobseekers will be capable of taking work as it becomes available.

Jobseeker Support also includes those who are temporarily sick or injured and those parents with children aged 14 or over. People too ill to work will be exempt from work expectations until they are well enough to work in some capacity.

### **Sole Parent Support**

This includes all those on the DPB and Widow's Benefits with children under 14.

Those receiving Sole Parent Support will be expected to look for part-time work when their child is five years old and full-time when their child reaches the age of 14.

Those who have an additional child while on benefit will be exempted from work expectations for 12 months, in line with parental leave provisions. Work obligations will then revert to the age of the youngest child when the parent went on benefit.

For example, a beneficiary with a seven year old, who has another child, will return to a part-time work expectation when their newborn turns one. A sole parent of a fourteen year old who has another child will return to a full-time work expectation after one year.

### **Supported Living Payment**

The Supported Living Payment will include people currently on Invalid's Benefit who are permanently and severely disabled, severely mentally ill, or terminally ill.

The new payment will also include carers of people needing hospital-level care, who are currently receiving DPB – care of sick and infirm.

An expert Health and Disability panel will advise the government on ways to improve assessments and services for people with ill health or who are disabled.

### **Youth Payment and Young Parent Payment**

Young people needing financial support will have an obligation to be in education or training and providers will work beside young people to help them achieve these goals, while helping manage their financial support. Young people will have their essential costs like rent or board and utilities paid directly, with money for living costs loaded onto a payment card and the remainder as an in-hand allowance. Young people can earn incentives of \$10 a week for completing six months of education or training or by completing a budgeting course. Young parents can earn a further \$10 a week for completing a parenting course.

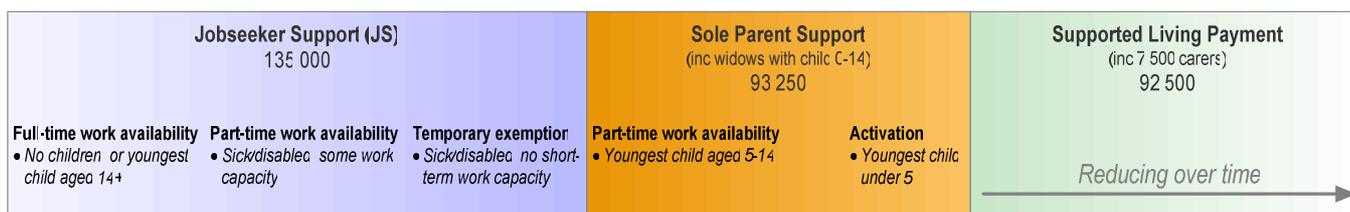
## Q and A

### How does the new and old system of benefits compare?

#### Current benefit categories



#### New benefit categories



### What will this cost, what will it save and what will it reduce welfare by?

These changes are expected to result in up to 46,000 fewer people on benefits and an extra 7,000 to 11,000 beneficiaries working part-time. On top of that the Pre-Election Economic and Fiscal Update also forecasts around 20,000 fewer beneficiaries by June 2016 as the economy grows. We also expect to see fewer people coming onto benefits as the incentives and obligations change. The reforms will cost \$130 million a year, with an expected saving of \$1 billion over four years.

### When will these changes come into effect?

Legislation will be introduced in early 2012; changes will be phased in from July 2012 and all changes will be implemented by 2013.

The first stage of legislation affecting young people, those on the DPB, Women Alone and Widow's Benefits will be introduced in March 2012. Changes affecting Youth will be implemented July 2012 and changes affecting those on the DPB, Widows and Women Benefits will be implemented from October 2012.

### Are benefit rates being cut?

No, main benefit rates will not be reduced, and will continue to increase each year with inflation.

In fact we are putting more resources into overcoming barriers to work. Support will be invested early to reduce the financial and social costs of welfare dependence.

### Will people lose their benefits if they can't get a job?

No. People are expected to be trying to get work and they will need to show what efforts they are making. They will only face sanctions if they make no effort.

### What sanctions apply to people who don't meet their work obligations?

The same graduated sanctions will apply under the new system as they do now. Jobseekers are expected to be available for and looking for work unless they have a temporary exemption. Those who do not make genuine efforts will face sanctions.

### **How will exemptions work?**

Individuals on Jobseeker Support will be expected to be looking for and available for work, except where there is a temporary exemption. Every individual has a different set of circumstance and exemptions will vary to recognise a range of situations for example; a person leaving a domestic violence situation, bereavement or someone temporarily unable to work because of illness.

### **What extra help will people get?**

Depending on their needs, individuals will get different types and levels of support. For example teen parents may benefit from parenting and budgeting courses and assistance to complete education, with childcare support to allow them to do that.

### **Are there any extra incentives to work?**

Yes, sole parents with young children and those receiving the Supported Living Payment will be eligible for a financial incentive if they decide to take up work earlier than expectations require them to. On top of their new earnings, they will receive the equivalent of the benefit rate, which will reduce by \$100 a week until extinguished.

### **Where are the jobs?**

The number of people in work increased by 43,000 in the year to June 2011. Jobs advertised online increased by 25 per cent over the last year. A global recession impacted on jobs, but the economy has now grown in eight of the past nine quarters. The Government's focus on building sustainable growth will result in more jobs. The economy is expected to grow at an average of three per cent a year over the next four years.

### **Why are you doing this now before the economy fully recovers?**

We have an opportunity to overhaul the welfare system, which has been ignored far too long. If we start now, we'll have a more active system that is fair to beneficiaries and taxpayers. As the economy gets into a full recovery and more jobs become available, people need to be work ready to take up those jobs.

### **Why has little changed for those on the previous Invalid's Benefit?**

There are a group of individuals who need our unqualified support: those who are permanently or severely disabled, severely mentally ill or terminally ill and who may never be able to work at all. The welfare system is there to ensure those people are supported. They will remain on the new Supported Living Payment.

### **What provision is there for childcare?**

These extra requirements will generate a greater demand for childcare for pre-schoolers and school children and we have set aside substantial funding for this which will include a guaranteed childcare payment for teen parents.

The Government recently increased funding for Out of School Care and Recreation provision (OSCAR) as a first step to increase capacity and changes underway will make it easier for organisations to become OSCAR providers.

### **How will people be assessed if they are sick or disabled?**

There will be a stronger focus on what people can do, not what they can't do. Health professionals will provide medical information to allow Work and Income to ascertain what kind of work an individual can do and how long they may be exempted from being available for work. Those who are permanently or severely disabled, severely mentally ill or terminally ill, will be fast-tracked into the Supported Living Payment.

In addition, we are going to introduce much more comprehensive work capacity assessments to get a better picture of what people can do and to determine what the right obligation is for each person.

An expert Health and Disability Panel will give specialist advice on new assessment processes.

### **What medical evidence have you based the policy of putting work obligations on sickness beneficiaries on?**

Society's expectations about work have changed. Not only can many sick and disabled people contribute through employment, there is evidence that points to improvements in health and wellbeing through taking up appropriate work.

### **What else is new for parents on benefit?**

All parents on benefit, regardless of which benefit they are on, can also be expected to participate in work preparation, training, parenting or budgeting programmes. This will be backed by sanctions for non-compliance.

For parents of children aged three to four, the focus will be on getting people ready for part-time work when their youngest child is five (e.g. up-skilling programmes).

For expectant parents and parents of children under 3, participation in budgeting, antenatal care or parenting programmes will improve the wellbeing of their children.

### **What about employment support services?**

With more beneficiaries having work or activity obligations, there will be new approaches to employment services, including job training, search and placement support, increased money management and budgeting services, and more childcare. These services will build up over time.

There will also be better access to health services and drug and alcohol rehabilitation.

People able to find work themselves, and those for whom work is not an option, will have less support while support is targeted earlier to those who need greater help.

### **How does an investment approach work in the welfare setting?**

Support will be targeted to those who are capable of working, but need help to achieve that goal. An investment approach will focus on those who are likely to remain on benefit for a prolonged period.

Early intervention will reduce long-term social and financial costs to the country. There will be greater transparency of the future costs of the benefit system and new accountability arrangements to foster this long-term perspective.