

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 want to, work.

We are simplifying the benefit system and taking an investment approach to getting people off welfare and into work.

The investment approach will shift the focus of the benefit system towards better use of resources to reduce long-term benefit dependency. It will require a different approach to working with beneficiaries based on their individual circumstances, supported by best available evidence.

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

As at the end of August this year there were around 319,000 people or 11.6 per cent of working-age New Zealanders on benefits. More than 161,000 people have received a benefit for at least half of the last 10 years and 139,000 have spent more than a decade on benefit since 1993.

Three new benefit types will replace the seven current categories of main benefit, in addition to the new Youth Payment and Young Parent Payment which came into place from August 2012.

Jobseeker Support*figures in tables below as at end August 2012

Current Benefit		New Benefit	Feature of New Benefit
Unemployment Benefit related (incl training)	57,000	Jobseeker Support 135,100	<ul style="list-style-type: none"> • Work focused benefit • Work availability expectations according to capability: Full-time/part-time/temporarily deferred
Sickness Benefit	58,800		
DPB sole parents, youngest child 14 or over	10,500		
Widows, youngest child 14 or over or no child	4,800		
DPB Women Alone	4,000		

Sole Parent Support

Current Benefit		New Benefit	Feature of New Benefit
DPB sole parent, child 5-13 years	38,300	Sole Parent Support 87,100	<ul style="list-style-type: none"> • Part time work availability expectation (children over 5yrs) • Work preparation expectations (children under 5 years)
Widows, children 5-13 years	700		
DPB sole parents, child under 5	48,000		
Widows, children under 5	100		

Supported Living Payment

Current Benefit		New Benefit	Feature of New Benefit
Invalid's Benefit	83,500	Supported Living Payment 91,300	<ul style="list-style-type: none"> • No work availability expectation • May be required to take actions to prepare for work if assessed as having capacity
DPB care of sick and infirm	7,800		

Partners of beneficiaries

New Benefit Category	Working Age Partners
Jobseeker Support	15,600
Sole Parent Support	0
Supported Living Payment	8,900
Other	300

Youth Payment and Young Parent Payment

Current Benefit (All Ages)	Feature of New Benefit
Youth Payment 1,200	<ul style="list-style-type: none"> • Expectation to be in education or training • Managed payments • Essential costs paid direct
Young Parent Payment 1,500	<ul style="list-style-type: none"> • Support for childcare, budgeting and parenting • Incentive Payments

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, parents with children aged 14 or over, and Widows and Women Alone with no children. People too ill to work will be exempt from work expectations until they are able to work in some capacity.

Sole Parent Support

This benefit will support all those who currently receive DPB and Widow's Benefits with children under 14.

Those receiving Sole Parent Support with children under five will be expected to prepare for work, and may be required to undertake specific work preparation activities.

Sole Parents will be expected to look for part-time work when their youngest child is five years old. When their youngest child reaches the age of 14 they will transfer to Jobseeker Support and will be expected to be actively seeking and available for full-time work.

Parents who have an additional child while on benefit will be exempted from work expectations for 12 months, in line with parental leave provisions. Obligations will then revert to the age of the previous 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 have the same eligibility criteria as the current Invalid's Benefit. This benefit is for people who are permanently and severely restricted in their capacity to work because of sickness, injury or disability.

The new payment will also include carers of people needing hospital-level (or equivalent) care, who are currently receiving DPB – Care of Sick or Infirm.

People on this benefit will not have work expectations but can be required to undertake specific activities to prepare for work where their capacity allows, or can choose to access work supports where a work outcome is expected.

Youth Payment and Young Parent Payment

From 20 August 2012 young people needing financial support must meet obligations to participate in education, training or work based learning and budgeting activities. Where they are a parent they must also participate in an approved parenting programme. The young person is required to work closely with contracted service providers or Work and Income. The young person has their money managed through payment cards and redirections and receives a small in-hand allowance of up to \$50.

Partners of beneficiaries

Partners will be expected to look for full-time work if they do not have children or their children are 14 or older, part-time work if they have a child aged 5 to 13 years, and will be expected to prepare for work if they have children younger than 5.

Benefit Conditions

Pre-benefit activities

The range of benefit categories where pre-benefit activities can be required is being expanded – this will help more people into employment earlier.

It will apply to applicants for Jobseeker Support, Sole Parent Support and Emergency Benefit, as well as, partners and spouses of applicants for Jobseeker Support, a Supported Living Payment (except those eligible because they are a full time carer), or an Emergency Benefit.

Benefit reapplication after 12 months

The benefit reapplication requirement will be extended to all recipients of the new Jobseeker Support benefit.

Benefit Rates and abatement for certain groups

Current beneficiaries without children receiving DPB Women Alone or Widows Benefit will retain their current higher rate of benefit when they transfer to Jobseeker Support in July 2013.

Current beneficiaries receiving DPB Sole Parent, DPB Women Alone or Widows Benefit will retain their current part-time benefit abatement rules when transferred to Jobseeker Support.

After July 2013 sole parents moving from Sole Parent Support to Jobseeker Support after July 2013 (when their youngest child turns 14) will continue to have part-time abatement rules as will new sole parent applicants for Jobseeker Support who have a youngest child 14 or over.

Benefit Obligations

Work expectations for new benefit categories

The table below estimates the number of beneficiaries with work expectations under each of the new benefit categories - and the number of spouses/partners with work expectations. These estimates are based on information currently held on working age beneficiaries at end of August 2012.

Work Expectation	Jobseeker Support
Full-time	76,300
Part-time or deferred	58,800
Work Expectation	Sole Parent Support
Part-time	39,000
Work preparation	48,100
Work Expectation	Supported Living Payment
Work preparation	Nil (unless assessed)
Work Expectation	Spouses/partners of all beneficiaries
Full-Time	13,900
Part-time	4,800
Work preparation	5,800

Work preparation expectations

Stronger work preparation provisions are being applied to the new benefit categories, requiring people to take reasonable steps to prepare for work, and also be required to undertake specific work preparation activities, as follows:

- People receiving Jobseeker Support, whose work availability obligation has been temporarily deferred (eg due to illness or injury), will also have a base work preparation expectation.
- People receiving Sole Parent Support and the partners or spouses of main beneficiaries who do not have work availability obligations (ie those with a child under five years of age) will have a base work preparation expectation.
- A person receiving Supported Living Payment may be asked to undertake specific work preparation activities – but only if it is appropriate and they have been assessed as having capacity to do so.

Work ability assessment

All beneficiaries (including spouses or partners) can be required to participate in assessments related to their work ability.

Social obligations for parents

Four social obligations will be introduced that require beneficiary parents to take all reasonable steps to have their dependent child:

- aged three or over, enrolled in and attending ECE until they start school
- enrolled in and attending school from age of five or six (depending on when the child first starts school)
- enrolled with a primary health care provider, and
- up-to-date with the core WellChild checks.

The social obligations will affect around 125,000 beneficiary parents. It is estimated that Work and Income will only work with up to 25,000 of these parents at any one time.

The graduated financial sanction process will apply to beneficiary parents who fail to meet these expectations – but a financial sanction will not be initiated unless three stages of support contact have failed to encourage compliance.

Drug testing

Where taking and passing a pre-employment drug test is required of a job application, beneficiaries who fail to apply for the job they are referred to or fail the drug test may have their benefit sanctioned.

Employers will be reimbursed for the cost of failed drug tests for beneficiaries sent to them by Work and Income, which will be recovered from the beneficiaries (as will the cost of any re-compliance drug test).

Beneficiaries will not be referred to jobs with pre-employment drug tests if they are dependent on drugs or undergoing drug treatment – and people taking prescribed dosages of medications, or people addicted to or dependent on drugs will not be affected by the policy. People with addiction will be supported to get help with their dependency and will not face work expectations while they do so.

Warrants to Arrest

Beneficiaries with a warrant to arrest in criminal proceedings that is not cleared within 28 days from its issue will be notified by Work and Income that their benefit will be stopped after a 10 working day notice period. This gives a person at least 38 days to clear their warrant.

If the beneficiary is determined by the Police Commissioner to be a risk to the public, benefit payments can be stopped immediately.

Work and Income will contact approximately 3,500 beneficiaries a year under this policy.

Q & A

How does the new and old system of benefits compare?

Current benefit categories (based on working age beneficiaries at the end of August 2012)

UB 50,300	UB Training 6,700	SB 58,800	DPB-SP / EMA 96,800	WB / DPB-WA 9,600 DPB-CSI - 7,800	IB 83,500	Other 5,900
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New benefit categories (based on working age beneficiaries at the end of August 2012)

Jobseeker Support (JS) 135,100 Full-time work availability <ul style="list-style-type: none"> No children, or youngest child aged 14+ Part-time work availability <ul style="list-style-type: none"> Sick/disabled, some work capacity Temporary exemption <ul style="list-style-type: none"> Sick/disabled, no short-term work capacity 			Sole Parent Support (inc widows with child 0-14) 87,100 Part-time work availability <ul style="list-style-type: none"> Youngest child aged 5-14 Work preparation <ul style="list-style-type: none"> Youngest child under 5 		Supported Living Payment (inc 7,800 carers) 91,300 <i>Reducing over time</i> →	Other (incl EE and EMA) 5,900
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What will this cost, what will it save and what will it reduce welfare by?

Based on modelling carried out in 2011 and 2012, estimates suggest that the overall welfare reform package could cost close to \$520 million and save between \$0.992 billion to \$1.609 billion over the four years to June 2017.

These changes are expected to result in up to 44,000 fewer people on benefits and an extra 3,000 to 6,000 beneficiaries working part time. We also expect to see fewer people coming onto benefits as the incentives and obligations change.

We have already provided over \$287.5million for the first phase of welfare reform, for:

- youth services including wrap around support (\$148.8 million)
- ECE and the Guaranteed Childcare Assistance Payment (\$80 million)
- 155 dedicated Work and Income staff to support Jobseekers and sole parents into work (\$55.1 million)

Officials are in the process of updating the costs for the next phase of welfare reform, which will be finalised in the coming months. Any new funding required will be sought in Budget 2013.

When will these changes come into effect?

The first stage of legislation was passed in July this year. Changes affecting young people were implemented in August 2012 and changes affecting DPB sole parents, Widows, and Women Alone benefits will be implemented from October 2012.

The second phase of welfare reform which includes changes to benefit categories and benefit settings, assessments for people who are sick and disabled, the introduction of social obligations for beneficiaries with dependent children, drug testing and warrants to arrest policies will be implemented from July 2013.

Will the new benefit categories affect the number of reported unemployed?

The new Jobseeker Support benefit will replace the Unemployment Benefit, and will mean changes to reporting of the number of people on the Unemployment Benefit.

The number of people reported as receiving Jobseeker Support will be greater than the number currently receiving the Unemployment Benefit, as Jobseeker Support also includes:

- people who would currently receive the Sickness Benefit
- sole parents whose children are 14 or older
- widows and women alone whose children are 14 or older or who do not have children.

Are benefit rates being cut?

No, main benefit rates will not be reduced.

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 to do this. They will only face sanctions if they make no effort.

How will exemptions from work test and work preparation obligations work?

People who are expected to be available for work or prepare for work will have access to range of temporary exemptions to recognise situations where obligations are not appropriate, for example adjusting to new living circumstances when a person leaves a situation of domestic violence, bereavement or someone temporarily unable to work because of illness.

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 - called Work Bonus - 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.

What provision is there for childcare?

The Government has provided a total of \$80 million to fund childcare costs for the welfare reforms:

- \$36.1 million over the next four years to fund the Guaranteed Childcare Assistance Payment (available to young parents receiving Youth Services payments and meeting their participation obligations)
- \$43.9 million to Vote Education to ensure an additional 1155 additional ECE places for young parents needing care for their children while they study.

The Ministry of Social Development already provides around \$50 million a year in OSCAR funding for primary school children for before school, after school and school holiday programmes (includes assistance with fees for parents and grants to providers).

Where are the jobs?

The welfare reform package is designed to ensure that as the jobs become available, people are ready to take them up.

On average 7,000 people go off welfare into work every month and Work and Income alone receives 4,800 new vacancies a month. In January 2010, at its peak there were 68,400 people on Unemployment Benefits, including 23,500 young people. Those figures have fallen to 50,300 people on Unemployment Benefits including 13,200 young people at August 2012.

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

There are a group of individuals who need continuing support: those who are permanently or severely disabled, severely mentally ill or terminally ill, many of whom may never be able to work at all.

The welfare system is there to ensure people who are severely disabled are supported. They will remain on the new Supported Living Payment, and will continue to access the range of existing support services.

However, the new work-focused approach for people who are either sick or disabled will contribute to challenging assumptions about what a person with a more serious disability or illness can do, not focus on their condition or what they can't do.

People on Supported Living Payment can choose to opt-in for some work supports. Or, they may be asked to undertake specific work preparation activities – but only if appropriate and they have been assessed as having capacity to do so.

A spouse or partner of a beneficiary receiving Supported Living Payment may have work or work preparation activities. These will be based on the age of their youngest dependent child (if any).

How does an investment approach work in the welfare setting?

We spend around \$8 billion per annum on welfare, and the long-term costs for individuals and communities are high. Early intervention will reduce long-term social and financial costs to the country.

Our investment approach will ensure greater transparency of the future costs of the benefit system and accountability arrangements to foster this long-term perspective.

The approach will focus on those likely to remain on benefit for a prolonged period, with support targeted to those capable of working, but who need help to achieve that goal.

The first actuarial valuation of the welfare system by external actuaries indicates that New Zealand taxpayers can expect to pay in excess of \$78 billion for the life-time cost of 2010/11 beneficiaries.