BRIEFING NOTE: NEW ZEALAND WELFARE REFORM

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From: UnitingCare Australia

Purpose

The purpose of this document is to provide a brief overview of some of the welfare reforms taking place in New Zealand, as mentioned during UnitingCare Australia's participation in a public hearing for the Senate Inquiry into Income Inequality. This provides a basic overview of the approach being taken in New Zealand. UnitingCare Australia's National Director, Lin Hatfield Dodds recently visited New Zealand to learn about the reforms and would be happy to provide a more extensive verbal brief to any Committee members, upon request.

Welfare reform in New Zealand

Over the past 3 years, the New Zealand Government has been implementing a range of welfare reforms and has also been adjusting its relationship with the not-for-profit sector. This has coincided with an agenda called "Better Public Services" which has focussed on "joining up" the work of Government Departments and focussing them on achieving outcomes. These reforms have received the positive attention of the McClure Review.

Before considering the contemporary welfare landscape in New Zealand, it is important to understand that it has a different welfare context and history to Australia. A short overview of the history of welfare in New Zealand can be found in Attachment A for information.

Better Public Services

Under the current NZ Minister of Finance, there has been a push to reform the state service. The Better Public Services Agenda has had a focus on setting outcomes targets for government departments; getting public services to function as a single system rather than individual agencies; ensuring collaboration between sectors is occurring; increasing transparency about performance in the public sector; and ensuring services are designed with and for the people who use them.

The Government set 10 primary results for the public sector to achieve over five years, and is trialling this approach across 16 specific locations. The first of those goals was:

- Reduce the number of people who have been on a working age benefit for more than 12 months
- A number of other goals also related to welfare and social cohesion, such as:
- Reduce the number of assaults on children.
- Increase the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above).
- Reduce the rates of total crime, violent crime and youth crime.

This agenda has shaped the welfare reforms that have occurred.

Investment Approach/Benefit reforms

Welfare reform has been built around what is called the “investment approach”. The idea of the approach is to use evidence to drive performance outcomes. The Investment approach uses actuarial science to determine the long-term economic liability of clients in receipt of benefits. Those liabilities are calculated annually. The annual valuations are used to assess performance according to government targets (increasing transparency) and are also used to estimate the long-term costs that will be likely to be incurred by particular clients. That estimation of client-liability is then used to determine what level of up-front support is appropriate for a beneficiary. Beneficiaries are broken into client segments, with those who are likely to be very costly over a life course being given additional up-front support to attempt to alter that projected future. Different case management services are provided to clients, depending on their distance from the labour market. This is all done through Work and Income New Zealand (no outsourcing).

The Investment Approach is in its trial stage. Different interventions are being trialled for client groups with high liability. In order to get clear and measurable outcomes, proxies have to be used. Defining outcomes effectively is critical to the success of the model.

The principles that underlie the approach are:

- Make up-front investments to reduce long-term costs
- Use annual valuations to make the long-term costs transparent
- Make accountability linked to long-term costs.

Payments have been adjusted into three main payment types and each of those payment types has sub-groups with different types of supports and conditions. The three main payments are:

- Jobseeker support (the intention is to move people from this payment into work, with different levels of support to do so);
- Sole parents payment (with different obligations depending on the age of children); and
- Supported Living Payment (for people who cannot work for a range of reasons, with different supplements based on circumstances)

There are also some other smaller payment streams for specific groups, such as 16-17 year-olds who are not living with family.

When someone is ‘work ready’ they are also obligated to be looking for work. People are sanctioned if they don’t fulfil the obligations associated with their payments, such as searching for work when deemed “work ready”. When someone is notified of a sanction they have 5 days to rectify it or provide a reason for their lack of compliance. Sanctions increase in severity if they are repeated within a 12 month period.

Obligations and supports include:

- Sole parents with children five and older are expected to look for part-time work, or go through a process to become ‘work ready’.
- Sole parents with children 14 and older are expected to look for full-time work.
- Work and Income can begin putting people through programmes to increase their work capability before they reach the stage of looking for work.
- Sole parents who have another child while on a benefit are to be available for work after one year, in line with parental leave.

- Young people (aged 16-17) and teen parents receive a managed system of payments with essential costs like rent and power paid directly, with an allowance and a payment card for living costs.
- Youth Service Providers (contracted out) are incentivised to help young people into work, education or training. Young people are encouraged to undertake budgeting and parenting courses and receive additional moneys if they do so.
- Guaranteed Childcare Assistance Payment, so childcare costs do not stop young parents from studying.

Many clients who have a disability are supported through New Zealand's Accident and Compensation Corporation (ACC) rather than the welfare system. ACC operates a little like a national insurance system providing comprehensive, no-fault personal injury cover.

Social Sector Trials

The Social Sector Trials are an attempt to change the way services are delivered in local regions, with devolved decision-making and government departments working together, under the leadership of a local organisation or local person. They are focussed on achieving specific outcomes in a local region, in relation to health, crime or education. In many locations, the goal is to reduce school truancy.

A Ministerial sub-committee provides oversight and decision-making for the Social Sector Trials: the Deputy Prime Minister, Minister of Justice, Chair of the Cabinet Social Policy Committee (and Minister of Health), Minister of Education, Minister for Social Development, Minister of Police, and Minister of Youth Affairs.

Regions set their own plans and decide on their own solutions. This is done through a Local Advisory Group. The Advisory Group includes members of the Iwi (Maori tribe/family group), police force, Chief Executive of the District Health Board, and other local community leaders.

An NGO or public servant is contracted to lead and manage the programme and to liaise with government departments. The role of the NGO or public servant who administers the Trial is critical. Part of this role is to identify bureaucratic and legislative barriers to their work. These are then referred to the Department and the relevant Ministers, who are able to make changes to remove those barriers.

Only 40 percent of funding has come from central government. The other funding has been supplied through local councils, philanthropic giving, trusts and foundations.