



MINISTRY OF  
SOCIAL DEVELOPMENT  
*Te Manatū Whakahiato Ora*

Date: 29 July 2010

PAPER FOR THE WELFARE WORKING GROUP

**DELIVERY OF INCOME AND EMPLOYMENT SERVICES THROUGHOUT THE ECONOMIC CYCLE**

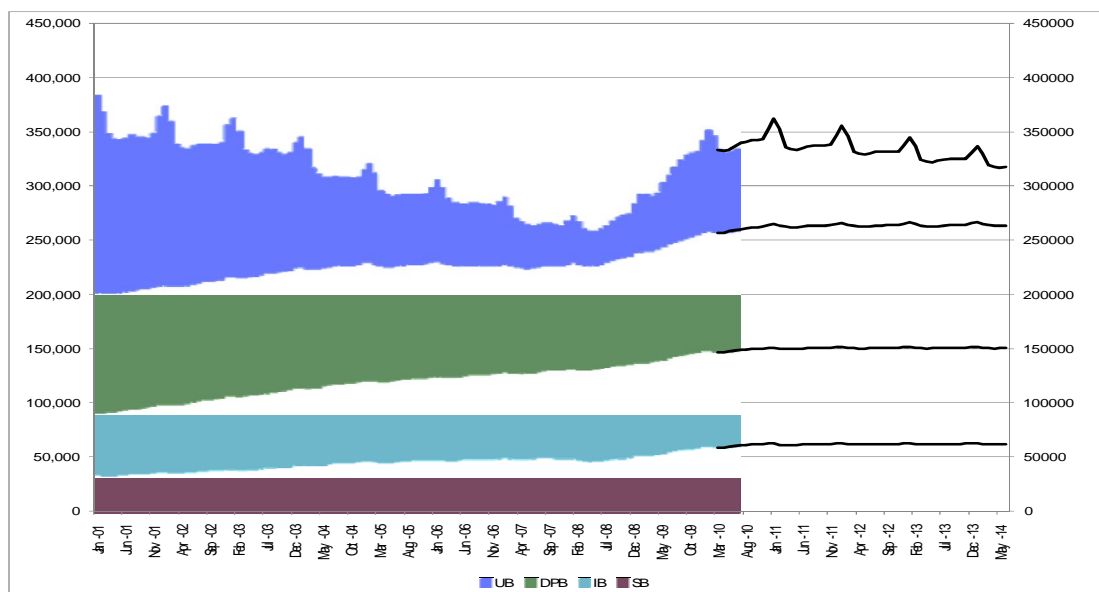
**Purpose of the Report**

- 1 This paper provides additional information following on from Peter Hughes' discussion with the Welfare Working Group on 15 July 2010.

**Background**

- 2 Across the economic cycle, Work and Income manages competing pressures on its resources, while working to achieve the best overall results for individuals, communities and taxpayers. The economy is never stagnant and a good delivery system needs to be able to adapt quickly to environmental changes, in particular changes to the labour market, the economy, policies and legislation.
- 3 This report details how Work and Income has managed recent economic cycles by prioritising resources and streamlining and customising processes. It also outlines the results achieved.
- 4 Figure 1 shows the number of people receiving the main working-age benefits over the last nine years (2001–2010). The period covers two recessions – the aftermath of the Asian Financial Crisis in the late 1990s and the Global Financial Crisis that started in 2007 and impacted on New Zealand in 2008/9.

**Figure 1: DPB, UB, SB, IB numbers since 2001**



## Getting UB numbers down during the economic upswing

---

- 5 At the end of June 1999, UB numbers<sup>1</sup> had reached 146,131, representing two-fifths of the beneficiaries that case managers dealt with. Over the following nine years, this number reduced to 17,898, representing just 6.7% of clients.
- 6 These reductions were achieved off the back of a prolonged period of steady, but not stellar, economic growth, and an active, work-focussed approach to delivery. Box 1 below provides a summary of this delivery approach.
- 7 This active delivery approach, working within the existing policy parameters, ultimately meant that New Zealand had the second lowest unemployment rate in the OECD, and very low numbers of people receiving UB by international standards. In March 2010, New Zealand's official unemployment rate was 6.0%, compared with 5.3% in Australia, 7.8% in the United Kingdom and 13.1% in Ireland.

### **Box 1: Active approach to delivering social welfare, 2000 - 2008**

Throughout the early part of the 2000s, the delivery of income support and employment services for unemployment beneficiaries moved from a passive system to one of the world's most active and work-focussed approaches.

This approach to delivery was characterised by:

- *Triage* – making good assessments of individuals' needs upon first contact with the benefit system and directing them to the most appropriate help for their needs. Triage has consistently meant that more than a third of people who approach Work and Income seeking a benefit do not go into the benefit system.
- *Intensive, work-focussed case management early in the time on benefit*
- *Job Search Service*
- *A 'work first' approach* – applied to everything a Work and Income case manager does, so that every contact with a jobseeker including those where the intention of the jobseeker was to discuss financial support, is used as an opportunity to identify employment opportunities
- *Having income and employment services delivered by the same agency, and the same case manager* – which meant that there are clear and immediate consequences to failing to meet work obligations
- *Solid relationships with employers* – Work and Income has partnerships with 90 industries representing 48,000 employers
- *Organising around the client* (eg through community link and integrated service response)

---

<sup>1</sup> UB refers to UB-Jobseekers unless otherwise specified.

- 8 By early 2005, UB numbers had reached relatively low levels (similar to today's levels), and two key things had substantially changed:
- the composition of the beneficiary population had dramatically shifted – there was a much higher proportion of DPB and SB/IB clients, and clients with complex needs
  - the lower total number of beneficiaries had freed up capacity within Work and Income to work more intensively with these clients with more complex needs.
- 9 Work and Income introduced enhanced case management for these groups, which involves planning toward work, even though this was not backed by any legislative obligations for clients to look for work. In the case of DPB there were policy changes which supported this (for instance the introduction of Working for Families improved financial incentives for sole parents to move into employment), but the macro level policy settings remained largely unchanged.
- 10 From 2005, Work and Income was able to begin shifting its focus from the remaining UB population to the DPB and then SB and IB population groups. From 2005, UB numbers continued to fall (from 49,888 in June 2005 to 17,898 in June 2008), but this was also accompanied by reductions in DPB numbers, and a slowdown in the rate of growth in SB/IB numbers.

## **Managing through the economic downturn**

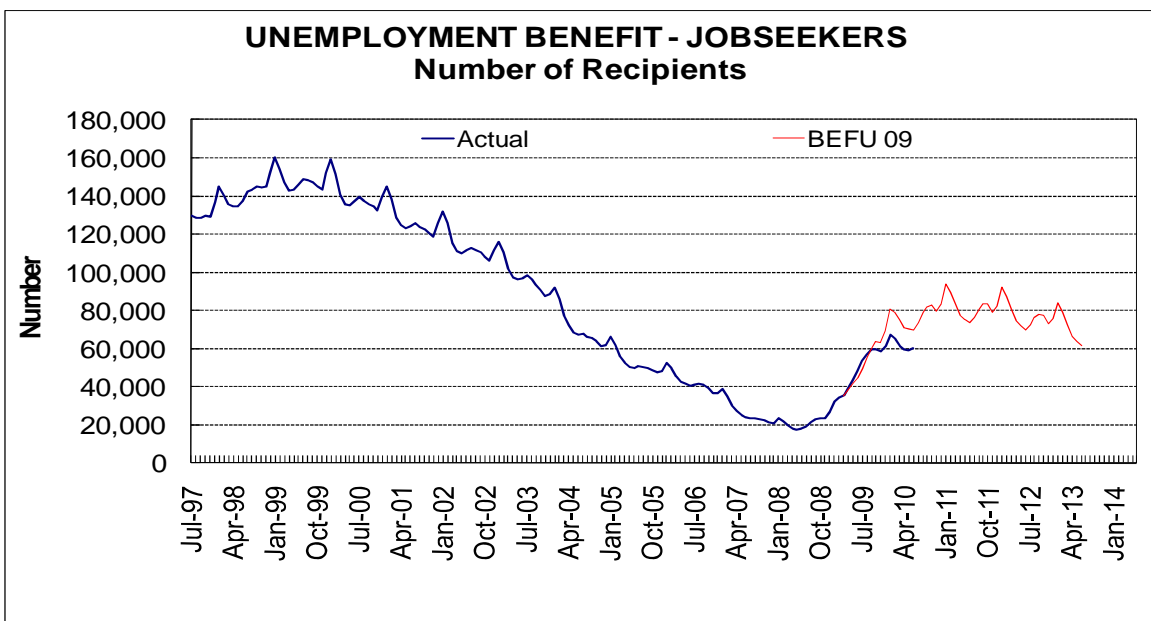
---

- 11 New Zealand had a small domestic downturn during the first half of 2008, followed by the full weight of the international credit crisis and global economic downturn in the second half of that year. In this uncertain environment, the focus shifted to limiting the negative impacts that sharp rises in unemployment could have.
- 12 There were several reasons for a concentrated focus on UB:
- a large cohort of people moving onto benefits during a recession can do lasting damage to individuals, communities and the economy
  - the best opportunity to get someone back into work is to do so almost immediately
  - resource constraints – there were not enough front line staff to work intensively with all clients.
- 13 Work and Income faced two big challenges – staying on top of its workload, and getting enough jobs for people to move into. The approach it took included:
- *streamlining the triage system* (for instance incorporating more flexibility so that higher skilled people had tools to help them get jobs on their own, and establishing a new recruitment centre to secure vacancies and match and refer job seekers to them)
  - *redeploying case managers* from DPB, SB and IB to UB, and recruiting additional frontline staff (for instance 126 more case managers were recruited in Auckland where there were particular pressures)
  - *putting significant additional resources into getting more job vacancies*
  - *improving efficiency* (by improving appointment scheduling and increasing the use of technology).

## The results

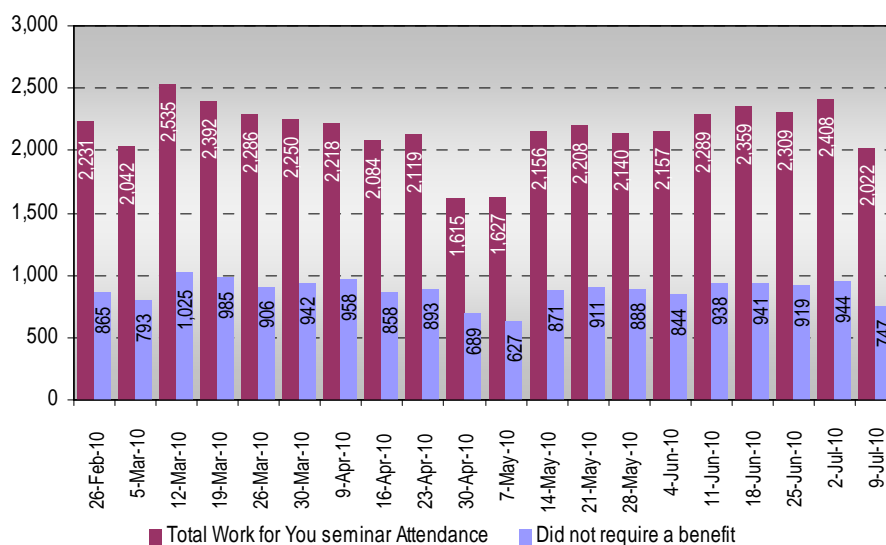
- 14 The recession was a significant economic shock to New Zealand. It was initially worse than expected by most economic forecasters, but was ultimately not as damaging as it might have been.
- 15 Figure 2 shows the actual and forecast numbers of UB recipients. It shows that UB numbers have remained relatively low in relation to the forecast and in the context of recent history. For instance in the month of March 2010, UB Jobseeker numbers were close to 14,000 below the BEFU 2009 forecast for that month, and remained below numbers for the same month in 2004. Significantly, UB numbers remained well below those experienced toward the end of the last significant economic downturn, which peaked at 160,000 in January 1999.

**Figure 2: Actual and forecast unemployment benefit numbers**



- 16 As in the past, a good part of this success is likely to be due to the system of triage. Figure 3 below shows triage rates over the course of 2010 which have remained high despite the recession. For instance, of those UB Jobseekers who participated in a Work for You seminar in the week ending 11 June, 36.9% did not need a benefit 28 days later compared to 29.5% at the same time last year. This is a particularly impressive result given that the number of applications had doubled compared with periods prior to the recession.

**Figure 3: Work and Income triage rates, 2010**



- 17 Supporting these triage figures have been high numbers of new vacancies listed with Work and Income. For instance, for the week ending 9 July 2010, Work and Income secured 944 new job vacancies compared to 809 at the same time last year. This has created opportunities to divert people away from benefit receipt.
- 18 As well as continuing to triage people seeking welfare assistance back into employment, benefit cancellations have also remained high. For instance, for the week ending 9 July 2010, Work and Income cancelled 1,763 UB Jobseeker benefits.

*Sickness, Invalid's and Domestic Purposes benefits in the recession*

- 19 During the economic downturn, the shift in focus to managing gateways into long-term benefit receipt has meant less focus on DPB, SB and IB. During this period the focus for those benefit types has been on minimising the impacts on those benefits, and lessening the long-term impact in terms of long-term benefit receipt among those entering the benefit system during the recession.
- 20 Since 2007 Work and Income has progressively implemented improvements to the support and services provided to SB/IB clients, within existing policy parameters. These changes have included improving the quality of information received from health practitioners, providing them with better guidance, and improving internal capability by employing specialist advisors (eg Regional Disability and Health advisors to provide advice to Case Managers on difficult cases).
- 21 These changes have had some success in slowing the growth in SB and IB numbers, and within existing policy parameters, New Zealand has performed reasonably well. Of 28 countries compared by the OECD, 21 had higher rates of people receiving disability benefits than New Zealand in the latest survey (2007 data). In early 2009, around 4.8% of the working-age population in New Zealand received Sickness and Invalid's Benefits. Again this compares favourably with Australia (5.2%) and the UK (6.1%).

## **The next steps – moving into a period of economic growth**

---

- 22 GDP growth has now resumed. Treasury is forecasting real GDP growth of 3.2% in the year to March 2011, and similar growth in the following 3 years.
- 23 The experience of the 2000s has shown that when there is economic growth of between 2-3 per cent per annum, Work and Income can reduce UB numbers, and when UB numbers are low, a focus on DPB, SB and IB can impact on those benefit numbers too.
- 24 Right now, UB numbers are low relative to the starting point in the 2000s. This suggests that with sound economic growth and as UB numbers come down there will be opportunities in the relatively near future to focus once again on other beneficiary groups.
- 25 Work and Income has aggressive internal goals for getting to that point – first, by reducing UB numbers quickly to low levels, then by shifting resources to work more intensively with DPB, SB and IB recipients to achieve reductions in DPB and SB numbers, and in the growth in IB.
- 26 These goals would deliver significant savings compared with current forecasts, and will leverage off the forthcoming “Future Focus” policy changes.