

# Key features of the New Zealand Welfare System

Welfare Working Group Secretariat

Presentation to the first Welfare Working Group meeting  
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The purpose of this presentation is to aid discussion within the Welfare Working Group and the views expressed are not necessarily those of the Ministry of Social Development

## Supporting WWG understanding of key information on the Welfare System.

- Session 1: Key features of the New Zealand welfare system
  - Overview
  - How does the system support individuals?
  - What do we know about the topics raised in the terms of reference?
- Session 2: Criteria for Assessing the Welfare System

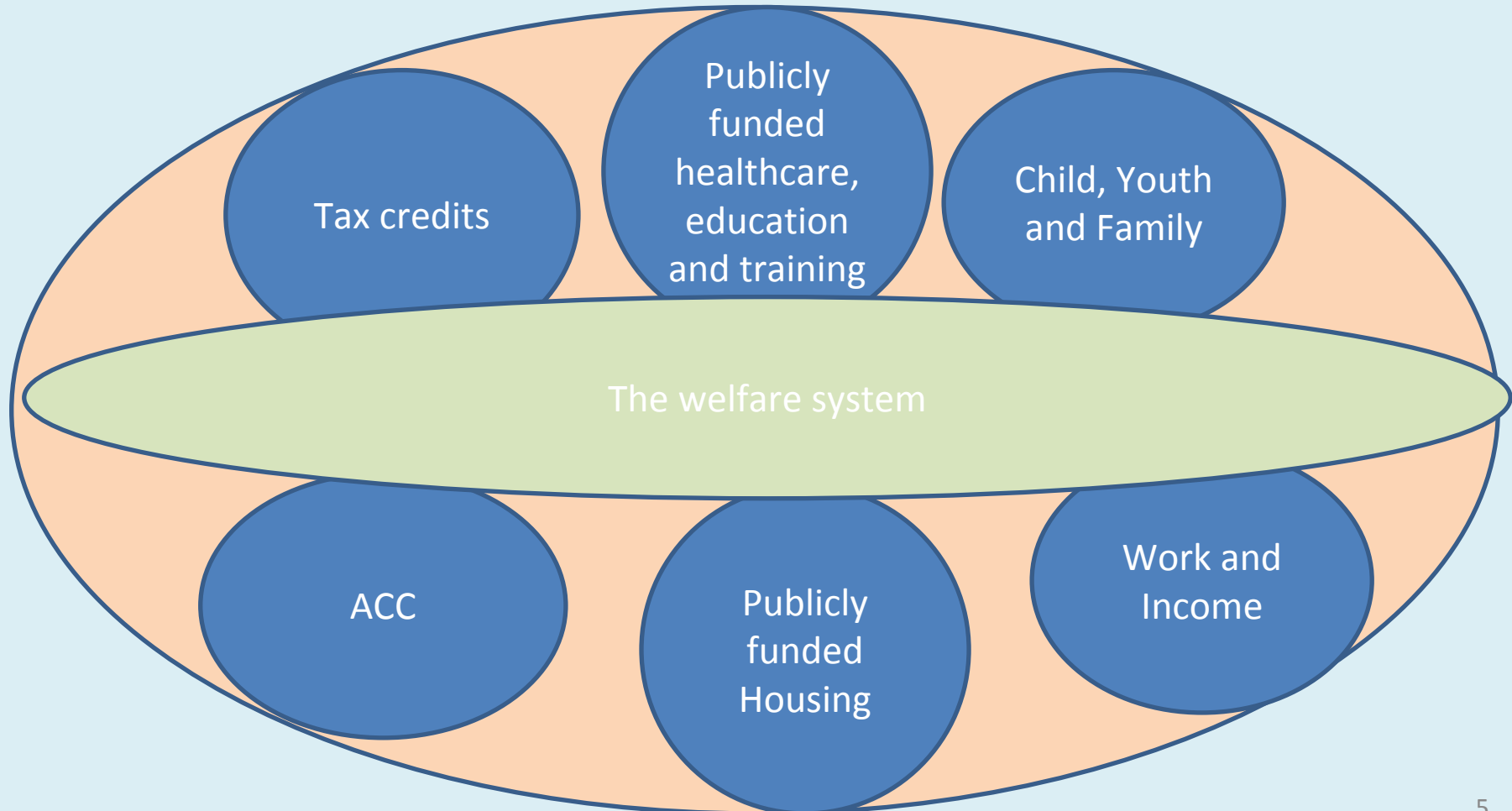
# **Session 1.1: Overview**

## The Terms of Reference and the Welfare System

- Reduce benefit dependence and get better work outcomes (including for sole parents);
- Promoting opportunities and independence for people with disabilities and people with ill health;
- Considering the funding of the welfare
- Is the structure of the benefit system contributing to long-term benefit dependency

# The context of the welfare system

## Government support for individuals in need



# The structure of the welfare system

First tier – main benefit	Second tier – cost related	Third tier – other support	Support and Services
Unemployment Benefit	Accommodation Supplement	One off Special Needs Grant (e.g. Food)	Case management
Domestic Purposes Benefit	Disability Allowance	Temporary additional support	Employment and study assistance
Sickness Benefit and Invalid's Benefit	Childcare Assistance	Advance payment of benefit	Health and disability interventions
Other main payment types	Other second tier assistance	Other third tier assistance	Job matching and engagement with employers

## First – tier Benefits

Payment type	Description	Conditions
Unemployment Benefit	For people unemployed and seeking work	People are eligible if they work less than 30 hours per week/ Payment rate:\$194.12 (single, 25+)
Domestic Purposes Benefit	For people with caring responsibilities	People can receive payment regardless of their hours of work/ Payment rate: \$278.04 (sole parent)
Sickness Benefit	For people who have reduced capacity due to sickness, injury, disability	Available for people when a medical practitioner certifies that they are not able to undertake full-time work Payment rate: \$194.12 (single, 25+)
Invalid's Benefit	For people who are permanently and severely restricted in their capacity to work	Payment rate: \$242.63 (single, 18+)
Other benefits	Other benefits include: Widow's Benefit, Emergency and Hardship Benefits, Independent Youth Benefit, Orphan's Benefit and Unsupported Child's Benefit.	

## Further detail about second and third benefits

Payment type	Description	Conditions
Accommodation supplement	Payments to cover part of the cost of housing	Tested against income and level of assets. Maximum payment varies depending where applicant lives.
Disability allowance	To cover costs associated with long term disability	Tested against income and level of assets. Weekly payments depend on demonstrating costs with a maximum of \$56.98 per week
Childcare subsidy	Help with childcare costs for those in low income and in work	Income tested. Level depends on family income and number of children
Special Needs Grant	One off payments to cover specified urgent expenses.	Tested against income and level of assets. Level of grant depends on expense. Number of grants per person is limited
Temporary Additional Support	Payments to cover urgent periods of high expense.	Tested against income and level of assets. Level of grant depends on expense.
Other support	Other support includes: loans, costs for parents and student allowances.	

# Services and Support

## Available support from Work and Income

### Unemployment Benefit

- Assessment for eligibility for second & third tier income support
- Job Search Service
- Matching clients' capacities with listed job vacancies
- Work and Income source vacancies by working directly with employers
- Seminars for job-seekers about local labour market conditions
- Training towards a job and assistance to start up their own business
- Payments to specific beneficiaries to transition into work

### DPB-SP/ Sickness Benefit/ Invalid's Benefit

- Access to support provided to Unemployment Benefit recipients plus additional support for particular barriers they face
- DPB-SP and Invalid's Benefit recipients can receive Training Incentive Allowance to enter lower level study, and Assistance for Study Costs for higher level study
- Invalid's Benefit recipients can access employment and training assistance.

# Welfare obligations

## Welfare Obligations

### Unemployment Benefit

- Full-time work-tested
- Must be available for, and take reasonable steps to obtain, suitable employment and accept any offer of suitable employment
- Must meet the obligations outlined in the Job Seeker Agreement (negotiated with Work and Income).

### DPB-SP/ Sickness Benefit/ Invalid's Benefit

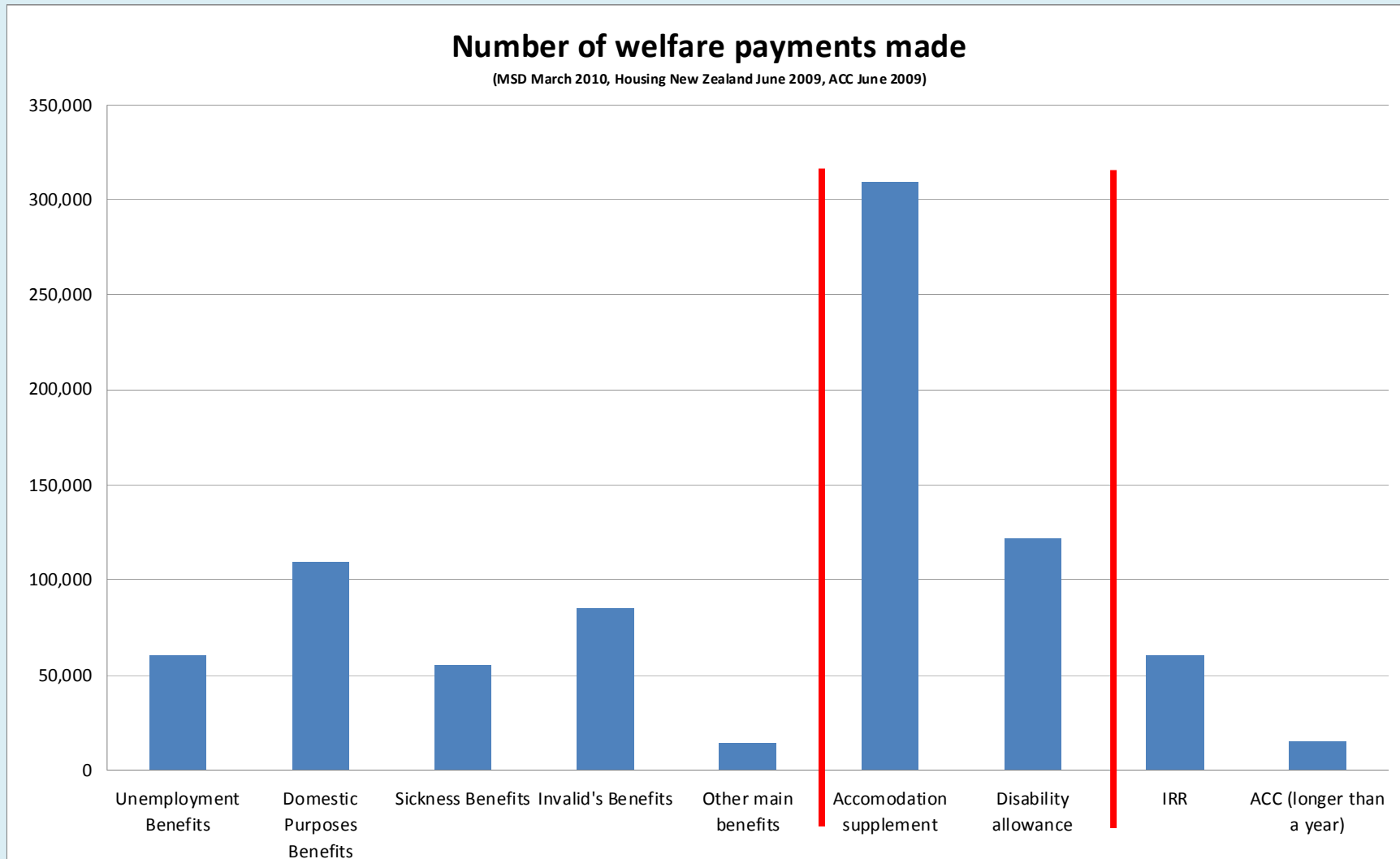
- If required, clients must participate in the Personal Development and Employment planning process
- This may include: attending interviews; developing and signing a Person development and Employment Plan; taking part in a regular review of their plan; showing commitment to the goals they have included in their plan
- The employment plans will become more employment focused and a part-time work-test requirement will be introduced for some sole parents as part of Future Focus.

## The interaction between Work and the Welfare System

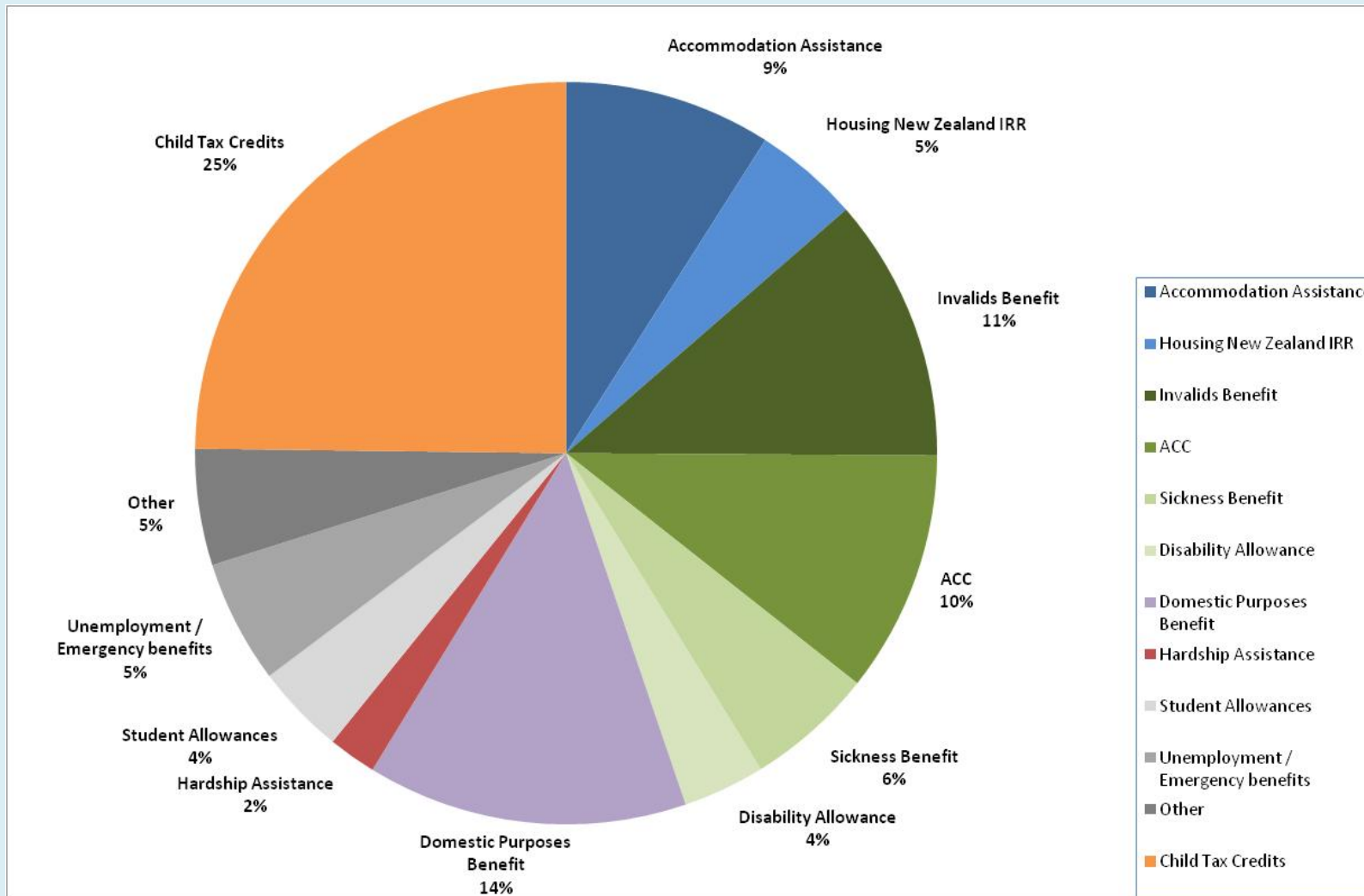
Abatement of main benefits include:

- a **free-zone** (of \$80-\$100 per week)
- the **abatement rate** typically: 30% for part time work; 70% for full time work
- the **cut out point** - the level of other income at which benefit entitlement is completely abated
- **income threshold** - part time abatement ends at around \$180 a week
- **additional exemptions** - for particular income and to recognise costs

# The scope of the welfare system



# The Government spent \$10.9bn last financial year on income supplements (excluding superannuation and CYF payments).



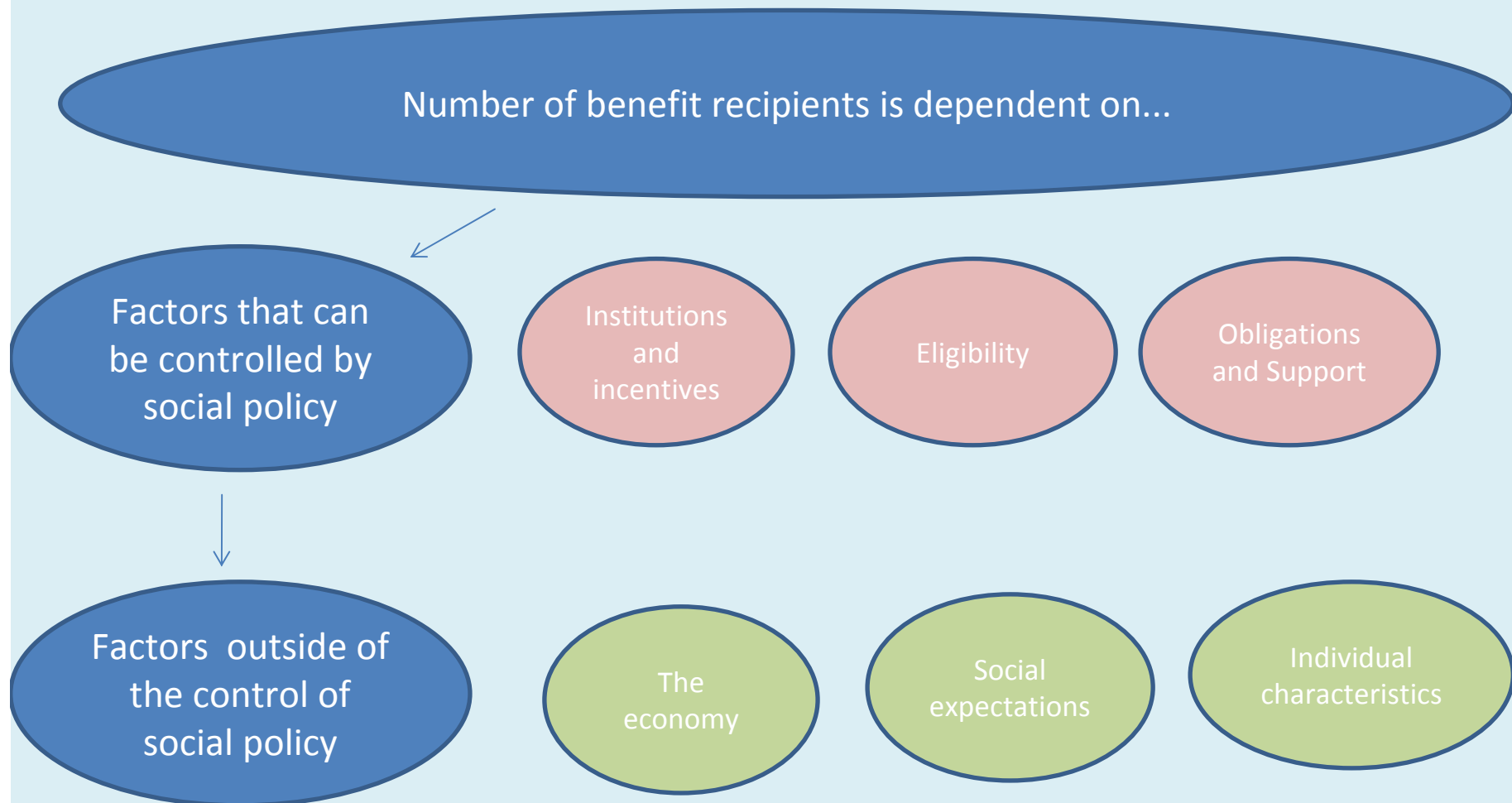
## **Session 1.2: How does the system support individuals?**

## The delivery of the system: Work and Income contact and service centres

- The entry point to the welfare system for people who are unemployed, sick or disabled, or who experience changing family circumstances is Work and Income.
- Work and Income has an active work first approach.
  - In their initial contact with Work and Income people make an application for payment and agree to a set of conditions (depending on the benefit type). The application for payment is then processed and a range of contacts, programs and support is discussed.

**Session 1.3: What do we know about the topics raised  
in the terms of reference?**

# The number of benefit recipients is dependent on factors inside the welfare system and outside



## Sole Parents

- How can we reduce benefit dependence and get better work outcomes for sole parents?
- In order to understand the question we need to know what level of work already takes place and what are the key barriers that sole parents face.
  - Many sole parents currently do work with 52.3% of sole parents (including those off-benefit) in paid employment  
(Source: Statistics New Zealand – Household Labour Force Survey December 2009).
  - Sole parents are a diverse population with different levels of qualifications, work and benefit history and ages. 15.8% of DPB-SP recipients have declared earnings.

## People with disabilities and people with ill-health

- How can we promote opportunities and independence from benefit for people with a disability and people with ill health?
  - the number of people on health related benefits rose with the deterioration in the labour market during the 1970s, but did not fall when it improved from the 1990s
  - Earnings for individuals with disabilities *in work* are marginally poorer than the general population, but more people with disabilities are not in the workforce and spend long periods on benefit.

## Funding Future liability

- New Zealand and Australia are unusual in having no insurance element in their provision of benefits
- More usual is a minimum income provision to protect individuals from poverty, combined with unemployment insurance.

## Long-term benefit receipt

- Most people who have been on benefit for long periods are on DPB/ SB/ IB. They tend to have characteristics that make it harder to locate and sustain work such as significant caring responsibilities and more severe disability.
  - There are currently 98,000 very long-term benefit recipients (who have been continuously on benefit for 4 or more years) and they are concentrated in: Invalid's Benefit (1/2); Domestic Purposes Benefit (1/3); and Sickness Benefit (1/10) (Source: WWG Secretariat based on Ministry of Social Development administrative data).
  - An unresolved question is the degree to which it is due to the work capacities of the people on those benefits versus the structure of those benefits.

## **Session 1.4: Wrap-up**

## We have provided a discussion of the welfare system.

- This presentation has outlined how the benefit system is structured into first, second and third tier payments. It has:
  - outlined the types of contacts, support and obligations of benefit recipients;
  - Provided some description of how the system works in practice; and
  - Provided relevant data on sole parents, people with sickness and disabilities and long-term benefit recipients.