WELFARE THAT WORKS

A new approach to getting young people off welfare and into work

Labour’s approach to welfare is failing young people. National will use community providers, clear obligations and targeted incentives to get young people off welfare and into work.

Policy highlights

• Community providers will be contracted to provide 18–24-year-old Jobseekers with a dedicated Job Coach to help get them into work, with funding linked to keeping young people off welfare.
• Jobseekers will receive more support, with a proper assessment of their barriers to finding work, and an individual job plan to address them.
• Those who fail to follow their plan will face sanctions, such as money management or benefit reductions, but long-term under 25 Jobseekers who get into work and stay off benefit for 12 months will receive a $1,000 bonus.

Why we need a new approach

Despite an extremely tight labour market with record job vacancies, there are still over 50,000 more people on the Jobseeker benefit than when National left office five years ago. Of particular concern are the 34,000 Jobseekers who are under the age of 25, an increase of 49% in the last five years.

The longer a young person remains on the benefit, the lower their chances of finding employment and the more likely they are to suffer poor social and economic outcomes later in life. That means both higher costs for taxpayers and fewer opportunities for these young people and their families.

With businesses crying out for staff and plenty of jobs available in almost every sector of the economy, there’s no reason young people who can work shouldn’t be able to find paid employment right now. But not only are more young people receiving the Jobseeker benefit, they are also spending far more time on it. In fact, the number of 18–24-year-olds stuck on Jobseeker for longer than a year has almost doubled under Labour (up 84%), while every single long-term dependency category has increased by at least 50%.

Consecutive years on benefit: 18-24-year-old Jobseekers

<table>
<thead>
<tr>
<th>Time on Jobseeker</th>
<th>Sep 2017</th>
<th>Jun 2022</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–2 years</td>
<td>4,110</td>
<td>6,252</td>
<td>52%</td>
</tr>
<tr>
<td>2–3 years</td>
<td>1,719</td>
<td>4,020</td>
<td>134%</td>
</tr>
<tr>
<td>3–4 years</td>
<td>783</td>
<td>1,839</td>
<td>135%</td>
</tr>
<tr>
<td>4–5 years</td>
<td>330</td>
<td>768</td>
<td>133%</td>
</tr>
<tr>
<td>5 years +</td>
<td>321</td>
<td>504</td>
<td>57%</td>
</tr>
<tr>
<td>Long term total (1 year +)</td>
<td>7,263</td>
<td>13,383</td>
<td>84%</td>
</tr>
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</table>
Labour’s approach to welfare isn’t working

While Jobseeker numbers spiked following the first lockdown in 2020, demand for workers in the economy has more than recovered since then. Job listing websites are reporting all-time-high vacancies, and there are ‘Help Wanted’ signs on every street in the country.

Availability of jobs is clearly not the issue.

But data from the Ministry of Social Development shows the trend of more Kiwis going onto Jobseeker and staying there longer began well before the pandemic, around the middle of 2018.

Something has clearly gone wrong with Labour’s approach to welfare. Too many people are being left to languish on a benefit and are not getting the support they need.

Meanwhile, the use of sanctions has fallen dramatically under Labour, which has unsurprisingly correlated with a sharp increase in the number of people on Jobseeker and the length of time people remain there.

Sanctions play an important role in shaping the incentives faced by Jobseekers. By failing to properly apply the existing sanctions regime, the Government has made remaining on a benefit the rational choice for far too many Kiwis, including far too many young people. That’s not kind, it’s cruel.
WELFARE THAT WORKS

If we want to avoid a social and economic disaster, we need a new approach to support young people off welfare and into work. We need Welfare that Works.

1. Community providers

MSD has hired over 2300 more staff since 2017, but the number of young people on Jobseeker for longer than a year has almost doubled. We need a new approach for those aged under 25, who face years of benefit dependency if they are unable to get off welfare and into work.

National will contract not-for-profit community providers, such as NGOs or iwi, to get 18-24-year-olds who have been stuck on Jobseeker for three months or more off welfare and into work. These young Jobseekers will get a dedicated Job Coach who will work with them to help prepare for work and get into a job.

Providers will receive upfront funding plus performance payments for shifting young people out of welfare and into work, provided they remain off benefit for at least 12 months.

Performance payments will be scaled to reflect the challenge providers take on, with those who have been stuck on the benefit for multiple years attracting a higher incentive.

The National Government will ramp the Welfare that Works programme up over time, so funding flows to providers who are successful at getting young people off welfare and into work.
2. **Intensive support for Jobseekers**

Every young person who has been on Jobseeker for at least three months will receive a proper assessment of their barriers to finding work. These might include speech and language issues, learning disabilities, drug and alcohol addiction or key work skills gaps.

Each young Jobseeker will also receive an individualised plan with agreed actions they will need to take to obtain employment and address challenges preventing them from finding a job. The plan could range from simple steps like getting a driver’s licence to more comprehensive actions like literacy educations, training or completing treatment for drug or alcohol addiction.

Where the Jobseeker is working with a community provider, their Job Coach will be responsible for carrying out the needs assessment, and drawing up the individual plan. Otherwise, these activities will be carried out by case managers at MSD.

3. **Sanctions and incentives**

Young Jobseekers who fail to undertake agreed activities in their plan will face sanctions from MSD. Sanctions will include either temporary or permanent reduction in the Jobseeker benefit (the currently available sanctions which are underused), as well as money management.

Money management (currently only applied to clients aged 16 to 19) is a more restrictive benefit where important costs (such as rent and bills) are paid directly by MSD, a small allowance is paid into the Jobseeker’s bank account, and the remainder is loaded onto a payment card that can only be used for essential items.

To assist community providers in reducing long-term benefit dependency, National will also introduce a bonus payment of $1000 for under 25-year-olds who have been on the Jobseeker benefit for longer than a year, who find work and remain off benefit for 12 months.

### Costing

<table>
<thead>
<tr>
<th></th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
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<tbody>
<tr>
<td>Funding allocated for Welfare that Works</td>
<td>$14.8m</td>
<td>$25.3m</td>
<td>$35.8m</td>
<td>$46.3m</td>
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<tr>
<td>Estimated clients served by community providers</td>
<td>2,000</td>
<td>4,000</td>
<td>6,000</td>
<td>8,000</td>
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</table>
Funding

The budget for Social Development has increased significantly since 2017, with a large share going towards hiring at MSD, which now has 2,300 more staff compared to when Labour took office.

Given MSD’s failure to bring Jobseeker numbers down despite an extremely tight labour market, it’s clear this is not an efficient use of taxpayer money.

Contestable funding for community providers (including both up-front funding and performance payments), along with funding for bonus payments to long-term young Jobseekers who get off welfare, will therefore be reprioritised from the existing MSD budget.

With the Welfare that Works programme, National will ensure that taxpayers are getting the outcomes they are paying for – supporting young people who can work off welfare and into a job.