



SocialLink – Tūhono Pāpori is the umbrella peak body for the social and community sector in the Western Bay of Plenty. Its vision is a resourced, skilled and cohesive for purpose sector enabling communities to flourish. Its purpose is to build the capability, confidence, sustainability and voice of community organisations in the Western Bay of Plenty.

SocialLink walks alongside social service providers, community and kaupapa Māori organisations to build their capability as they deliver services to their communities, this includes the provision of volunteering services. SocialLink also advocates for the sector’s interests, social justice and equity of opportunity for all people living in the WBOP.

www.sociallink.org.nz

Submission on the Social Security Amendment Bill

January 2025

SocialLink thanks you for the opportunity to submit on the Social Security Amendment Bill’s proposed changes.

We wish to speak to the submission.

This submission addresses two main concerns SocialLink has with the Bill, firstly the use of sanctions and secondly the potential impact of Community Work Experience (CWE) proposals on community organisations.

1). The use of sanctions for people on benefits

SocialLink understands the Government has set a target of fewer people receiving job seeker support and increased exits into employment so wishes to ‘increase the friction in the welfare system¹’ as one of the ways to get people off the benefit and into work. It plans to have 50,000 people off the jobseeker benefit by 2030.

However, several factors affect whether the sanction related provisions in the Bill are a useful or appropriate approach to achieve this.

Economic conditions impact unemployment

As noted in the Regulatory Impact Statement (RIS) a weak economy is driving increased unemployment, not a desire to be on a benefit. Other factors impacting people’s ability to enter work include the labour market, immigration settings, cost of living, housing costs and individual circumstances. In such an economic climate ramping up sanctions and making it more difficult

¹ Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefits (2024) Ministry of Social Development p52

for people to access income support would seem to be misplaced as a policy initiative to reduce numbers on the jobseeker benefit.

Risk of sanctions unfairly impacting on people already dealing with disadvantage

The Regulatory Impact Statement also cites evidence that many Job Seeker recipients already can face multiple labour market barriers compared to others who are considered unemployed. They tend to have less employment history, lower qualifications and more experience of broader life challenges, such as disadvantage during childhood, experience of discrimination, have family related care responsibilities and so on.²

Especially for people living in persistent circumstances of low income and poverty, the daily struggle involved in dealing with these can impact on ability to also consider future decision making related to expectations of job seeking.³ They may have poor information on what is expected of them or lack understanding of the sanctioning system, find it difficult to value longer-term options, or when faced with difficult decisions, they may not make a choice at all or make the easiest choice. People affected by adverse childhood experiences, trauma or ongoing material deprivation may make contextually rational decisions that might appear irrational or impulsive to under resourced frontline staff administering obligations and sanctions. This is borne out by international and national research.^{4 5}

Applying broad brush sanctions when there are likely to be complex and external factors beyond individual beneficiaries' and MSD's control would seem counterproductive.

There are other policy settings which would support people to move off benefits. With rising cost of living issues, benefit incomes are insufficient. An empowering approach would be better, investing in appropriate programmes including investing in community organisations to design and offer opportunities.

Efforts to support people to move into employment also need to be underpinned by a compassionate perspective that takes into account the social context and life course circumstances that people are in, as noted in reviews of evidence-based literature for the Welfare Expert Advisory Group in 2018⁶ and for this current Bill.

The Bill will introduce more complexity and will lead to unfair and unwarranted sanctions

In addition, it has been noted in the RIS that the proposed non-financial sanctions will introduce more complexity into the system due to associated administration and interface with compliance activities.⁷

² See Regulatory Impact Statement pg 12.

³ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/weag-report-release/obligations-and-sanctions-rapid-evidence-review-paper-1-an-overview.pdf>

⁴ Economic and Social Research Council. Welfare Conditionality Project 2013-2018 Final Findings Report. UK http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/06/40475_Welfare-Conditionality_Report_complete-v3.pdf

⁵ Beneficiary Advisory Service. (2021). Understanding welfare sanctions in Aotearoa New Zealand, Christchurch.

⁶ See <https://www.weag.govt.nz/weag-report/evidence-briefs/>

⁷ See RIS pg 38.

The Bill contains clauses that are likely to be quite complex for staff to apply when making decisions about client compliance and failures to comply with obligations. See for example Sections 183A, 183B, 183C, 233A, 235, 236.

As one small example the following is outlined in relation to ‘236B Sanction for first failure: community work experience: general’ Clause 4. (Bill text is in blue italics and P refers to the person):

236B (4) While community work experience that is imposed on P has effect,—

*(a) P must, within the prescribed search period of the sanction taking effect (see regulations made under **section 418(1)(ic)**), and with the support from MSD (if any) that MSD considers it appropriate to provide to P for the purpose, find 1 or more positions—*

(i) each of which is with a community or voluntary sector organisation that MSD is satisfied is reasonably suitable; and

*(ii) that alone is, or that together are, for at least the following (see regulations made under **section 418(1)(id)**):*

(A) the prescribed number of minimum hours per week; and

(B) the prescribed minimum number of weeks; and

(iii) that is, or that include at least (if P finds 2 or more positions that start at different times), 1 position that starts—

(A) during or after the prescribed search period; and

(B) no later than the end of the week after that period; and

*(b) P must perform the duties of the 1 or more positions that comply with **paragraph (a)** for at least the following:*

(i) the prescribed number of minimum hours per week; and

(ii) the prescribed minimum number of weeks.

SocialLink submits these are examples of complicated clauses to administer. Furthermore, the prescriptive requirements do not consider the timeframes, capacity or ability of community organisations to ‘comply’ with them, nor the everyday living circumstances for people imposed with them. Instead, they are likely to be a burden to both.

Consequences may well mean people inadvertently ‘fail to comply’, risking further sanctions and increased risk of considerable confusion and variation in interpretation and application by MSD/WINZ staff, further negatively affecting people on benefits.

There is already evidence that the beneficiary system is complex to administer, and recipients are being unfairly affected. For example, it has been reported that nearly one in four beneficiaries could be receiving the wrong level of support.⁸ Introducing further sanctions on top of already incorrect entitlements for some MSD clients is very concerning, it also does not inspire

⁸ <https://www.teaonews.co.nz/2024/12/04/almost-a-quarter-of-beneficiaries-being-paid-incorrectly-report/>

confidence in the capability of MSD systems to accurately apply the proposed provisions in the Bill.

Moreover, according to MSD figures and research, a significant proportion of imposed sanctions are unjustified when people have asked for the sanction to be formally reviewed. For example, a review of the year to June 2018, 45.8% of ‘obligation failures’ by people on a benefit (leading to sanctions) were disputed, with around 97% successfully overturned.⁹

A New Zealand wide survey by the Beneficiary Advisory Service on beneficiary experience also found a high proportion of formal reviews of sanctions have been successfully overturned.¹⁰ Most survey respondents did not realise they could be sanctioned and subsequently said they did do more checking on administrative requirements such as registering for MyMSD, and checking for appointments. Several said clearer communication about these requirements could have alleviated this situation without the application of sanctions.

Some survey respondents said they were unable to meet obligations, such as attending job related interviews, for which they could be sanctioned. Reported reasons included not being advised of appointments to meet WINZ/MSD managers; WINZ staff giving contradictory information about actions they should take; or because specific personal circumstances prevented this (eg child unexpectedly in hospital, medical issues, appointments booked outside of school hours in spite of asking this not to happen).

The survey report concluded a significant amount of ‘non-compliance’ is unintended and associated with administrative complexity, inadequate communication and confusion rather than deliberate flouting.¹¹ This is in keeping with international findings.¹²

The important of trust and having a low friction relationship with government services for vulnerable people has been recognised as a determining factor as to whether people will seek support from agencies such as WINZ.¹³ Disengagement with services altogether has also been noted internationally as a direct result of sanctions;¹⁴ while it might mean numbers of beneficiaries reduce, it does not mean there is a decrease in need but rather that a proportion of need becomes unrecognised in official statistics. Furthermore, evidence suggests sanctions are poor mechanisms to encourage job seeking behaviour. In the New Zealand survey only two people out of 248 respondents advised they looked for work in response to receiving a sanction.

⁹ Ministry of Social Development. (2018). Obligations and sanctions rapid evidence review Paper 3: Usage of Work-related Sanctions Since 2001. <https://www.msd.govt.nz/documents/aboutmsd-and-our-work/publications-resources/information-releases/weag-report-release/obligations-and-sanctions-rapid-evidence-review-paper-3-usage-of-work-related-sanctions-since-2001.pdf>

¹⁰ Beneficiary Advisory Service. (2021). Understanding welfare sanctions in Aotearoa New Zealand, Christchurch.

¹¹ Beneficiary Advisory Service. (2021). Understanding welfare sanctions in Aotearoa New Zealand, Christchurch.

¹² Eg Economic and Social Research Council. Welfare Conditionality Project 2013-2018 Final Findings Report. UK http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/06/40475_Welfare-Conditionality_Report_complete-v3.pdf

¹³ Beneficiary Advisory Service. (2021). Understanding welfare sanctions in Aotearoa New Zealand, Christchurch.

¹⁴ Economic and Social Research Council. Welfare Conditionality Project 2013-2018 Final Findings Report.

Potential increase in poverty and further demand on community services

SocialLink is also very concerned that an increase in financial sanctions stemming from the Social Security Amendment Bill (*eg Section 233A Cancellation of main benefit for continuing failure to comply; Section 236 Sanction for first failure: reduction in main benefit*) will likely increase demand for social services including from food banks and Emergency/Transitional housing. Financial sanctions are associated with a rise in foodbank usage, cutting down on basic needs such as food and heating, taking on more debt, begging or resorting to crime.¹⁵ People have also reported detrimental physical and mental health consequences relating to the financial consequences of sanctions.

Social service providers are already facing increased demand for services, higher operating costs and for most, static or reduced funding according to recent surveys conducted by SocialLink and others¹⁶ so their capacity to cater to the increase in need is very limited.

Lack of alignment with Te Tiriti o Waitangi

As noted in the RIS, Māori are more likely to be affected by the provisions in the Bill due to being disproportionately represented in the welfare system and the Bill does not align with Te Tiriti o Waitangi/Treaty of Waitangi principles of active protection and equity.¹⁷ Māori are already disproportionately sanctioned and it is likely this Bill if enacted will continue that trend.

Unacceptable lack of consultation

Māori and the tangata whenua, community and voluntary sector have not been engaged with in relation to the Bill, nor have Pasifika people or people with disabilities been consulted. The lack of input from those who will be directly affected by the Bill is likely to lead to legislation that is detrimental to the above groups.

Recommendation

For the above reasons SocialLink opposes provisions in the Bill that make it more difficult for people to access income support. Instead, it is **recommended that Government focus on increasing employment opportunities to reduce people receiving job seeker support and reconsiders the use of sanctions within the Bill.**

2. Concerns about the potential impact on community organisations in relation to the proposal to establish Community Work Experience (CWE) as a sanction

Due to the potential considerable negative impact on the tangata whenua, social and community sector of the Community Work Experience provisions in the Bill, the submission will now focus on this aspect of the Bill. The relevant sections include:

236B Sanction for first failure: community work experience: general;

¹⁵ Beneficiary Advisory Service. (2021). Understanding welfare sanctions in Aotearoa New Zealand, Christchurch. Economic and Social Research Council. Welfare Conditionality Project 2013-2018 Final Findings Report. UK

¹⁶ In mid-2024 sector surveys using the same questions on funding and service demand were conducted by SocialLink, Community Waikato and Community Networks Aotearoa.

¹⁷ Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefits (2024) Ministry of Social Development p23

236C Sanction for first failure; community work experience: failure without good and sufficient reason to meet requirements

236D Sanction for first failure: community work experience; replacement sanction if good and sufficient reason why cannot meet requirements

Recommendation

It is strongly recommended that the Community Work Experience provisions in this Bill are removed. Failing that, that the Bill is not progressed until proper and meaningful engagement occurs with the tangata whenua, community and voluntary sector for the following reasons:

- CWE is untested and there is limited evidence on the effectiveness of compulsory work experience programmes¹⁸ which is seemingly contrary to a key tenet of the Government's Social Investment approach for evidence-based interventions.
- Community and voluntary organisations are not resourced to induct, train, oversee and ensure compliance with health and safety obligations for those doing community work experience (CWE).¹⁹ It is unclear how MSD will be assured the client has undertaken a minimum of 20 hours CWE. Presumably there is a high likelihood that MSD will require the community organisation to report on the hours a client has worked, again, imposing a cost to the organisation.
- There is uncertainty about what other processes are envisaged and the obligations on community organisations. For example, under Section 236B(i) it states the client (P) has to connect with a 'community or voluntary sector organisation that MSD is satisfied is 'reasonably suitable'. What will be the criteria for being 'reasonably suitable'? Will this mean P has to contact organisations to find out if they are willing to take them on and then ask MSD if they are suitable before both proceed?
- It is very unlikely that community organisations have the capacity to invest the time in undertaking the above for what is a relatively brief contribution of 20 hours work. Further, it is an unattractive proposition for community organisations when it is considered that firstly some of the 20 hours will need to be used for induction, training, health and safety compliance. Secondly if the client re-complies and meets their obligations, has their benefit reduced to zero, or a replacement sanction is imposed, or they find work, they are then not required to complete the 20 hours which may leave the community organisation having wasted time.
- Introducing community work as a sanction is unlikely to be viewed positively by clients, which may negatively impact on their approach to engaging in the work and constructively engaging with community organisations. This could increase the difficulty and time for

¹⁸ There is limited evidence on the effectiveness of community work experience programmes, with most evidence showing that they do not increase the probability of participants moving off benefit and into employment and can lead to longer durations." Furthermore, the application of Community Work Experience (CWE) as a sanction is untested. Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefit (2024) Ministry of Social Development

community organisations to find suitable CWE opportunities that matches a client's skills, interests and logistical capability e.g. access to transport.

- Due to police vetting requirements to work with clients in community organisations and the time required to obtain police vetting, it would substantially limit what type of work clients could do to primarily manual or basic administrative work, so clients are less likely to develop skills and in turn secure employment.
- There is a strong likelihood that MSD and/or MSD clients will contact local Volunteering Centres seeking CWE opportunities. SocialLink provides volunteering services and while MSD clients are welcome to seek volunteering opportunities online utilising SocialLink's database we are not resourced to actively match clients to opportunities. There is also a misalignment in that by definition, volunteering is to be undertaken voluntarily, while community work experience is a mandatory requirement.
- In effect community organisations will become a provider of MSD without the resourcing. Interestingly, according to the RIS, MSD did consider *establishing a new intervention to provide skills development and community work experience using a contracting model through providers*. However, this option was discarded as it did not meet the timeframes required for implementation and would be difficult to implement in a fiscally constrained environment²⁰
- It is untenable however to expect community organisations to be burdened with additional work without resourcing, in what is probably the worst funding environment the sector has experienced in a very long time.
- The RIS also noted that because the Bill is not supporting a provider or sponsor model, there is less flexibility in designing and including supports to address needs of particular job seekers eg Māori jobseekers who could benefit from a tikanga approach. The RIS noted Māori are a significant proportion of jobseeker recipients, but that MSD has not had 'sufficient time' to explore existing partnership with iwi, hapū or Māori led community organisations where participants might find work experience. It considered during the design phase MSD can further explore how these organisations might play a role in CWE.²¹
- Given, as stated in the RIS, *"the success of CWE greatly relies on community organisations' willingness to take on clients who have been sanctioned,"*²² the lack of consultation and engagement to understand the impact on community and voluntary organisations is very disappointing. The RIS was finalised in July 2024, so the Ministry of Social Development (MSD) could have engaged with the sector in the preparation of the RIS or anytime following the RIS. Possibly government cuts in public servants has been a factor. The mitigation to not consulting with community and voluntary organisations is "targeted engagement from MSD before CWE goes live". If MSD chose not to engage the

²⁰ Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefits (2024) Ministry of Social Development, page 50

²¹ Ibid page 51

²² Ibid page 55

sector in the development of CWE, it is very difficult to understand how ‘targeted engagement’ after the fact will address the issues raised in this submission.

- Similarly, as stated in the RIS, the risk ‘of lack of community work being available due to MSD not consulting with community organisations to better understand their willingness and availability to take on MSD clients’ is very unlikely to be mitigated by ‘MSD speaking to community organisations during the implementation phase.’²³ Again, it is very difficult to understand how the risks associated with lack of engagement with the sector early on as the proposal was being developed will be mitigated by targeted engagement and to be spoken to in the implementation phase, after the Bill has passed.
- It is also noted that the Panel assessing the RIS stated “*that due to time constraints there has been no public consultation on the proposals. While the proposals were contained in pre-election and coalition agreements there was no ability for consultation on the specific proposals. The lack of consultation specifically impacts the ability to understand the extent of some of the problems identified and implementation of the Community Work Experience proposal.*”²⁴
- This would suggest that there is a significant risk of CWE failing, which is not in the interests of the Government’s intentions. Therefore, the removal of or postponement of CWE until the sector has been engaged with to address implementation issues would be in the interests of the Government, MSD clients and community and voluntary organisations.
- If the Government proceeds with the Bill, increased funding is required for community organisations to meet any increased demand. Without this, unmet needs will drive increased crime, family violence, addiction and mental health issues in communities. Social and community sector surveys from 2024 reveal a significant number of organisations have had government funding cuts in the past year. They have also suffered a reduction in income from other sources, resulting in loss of staff and services, despite recorded increases in demand and need for services.
- Already many organisations are overdelivering as reported in the surveys: why should the sector take on the implementation of this policy without adequate recompense?

Recommendations

If the Government, against the recommendations of this submission, proceeds with the Bill, the following recommendations are also made:

- That CWE is replaced with ‘mandatory work experience’ or just ‘work experience’. In so doing, this would not limit the work experience to community organisations but would open it up to businesses which would provide a far wider scope for MSD clients to access work experience.

²³ Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefits (2024) Ministry of Social Development p51

²⁴ Regulatory Impact Statement: Changes to welfare settings to support people into employment and off benefits (2024) Ministry of Social Development p7

- Provide flexibility in the time period set to find CWE and the period of time in which the minimum of 20 hours of CWE is undertaken. Given the likely limited opportunities for CWE it will take a lot longer than two weeks for many clients to secure CWE work. CWE opportunities will vary in terms of time commitments, for example, helping to organise and hold an event may require all of the 20 hours to be undertaken in one week, whereas other opportunities e.g. pest control may require only a couple of hours every fortnight.
- Contract and fund non-government providers to provide meaningful, group and work skill development projects in local communities for MSD clients seeking CWE and work opportunities.