

Impact Summary: Removing the Subsequent Child Policy

Section 1: General information

Purpose

The Ministry of Social Development is solely responsible for the analysis and advice set out in this Impact Summary, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing:

- *Final decisions to proceed with a policy change to be taken by or on behalf of Cabinet*

Key Limitations or Constraints on Analysis

Analysis on the removal of the additional dependent child policy (commonly known as the subsequent child policy) has been primarily focused on the option to fully remove the policy, due to the Minister for Social Development indicating a preference to do so on 5 September 2019 following recommendations from the Welfare Expert Advisory Group (WEAG) and advice from officials. The Minister also signalled her intention to submit a budget bid to remove the policy in her November 2019 Cabinet Paper *Welfare Overhaul: Update on Progress and Long-Term Plan* [CAB-19-MIN-0578 refers]. However, the removal of this policy is now being funded internally from within the Ministry of Social Development's (MSD's) existing baseline.

As the Minister has indicated a preference from the onset for the removal of the policy, analysis of options has been limited. Whilst the majority of analysis has been limited to the Minister's preferred option, at various stages we have considered the impact of either maintaining the status quo or of increasing the age of the subsequent child. Our analysis has primarily been focused on the policy's effectiveness at improving family, whānau and child wellbeing, as well as the impact of the policy on employment outcomes.

Removing the subsequent child policy would contribute to the Government's objective of overhauling the welfare system, as set out in the Confidence-and-Supply agreement between the New Zealand Labour Party and the Green Party of Aotearoa New Zealand.

Analysis – in particular, relating to costings – has been based upon the changes applying to a population group of approximately 8,900 people, including:

- 5,400 on Sole Parent Support who would have a change to their work obligations
- 2,500 on Jobseeker Support who would move to Sole Parent Support
- 1,000 partners of people on main benefits who would have their work obligations change.

This has been weighted based on current benefit models to deliver as accurate a forecast as possible. Other assumptions include that:

- the initiative will take approximately 14 months to deliver
- costs have been calculated based upon salary rates at the top of the remuneration range for relevant roles required to implement the removal of the policy
- estimates are indicative only, and would need to be revalidated during the project start-up phase.

Data is as at May 2019 (note this detail was unintentionally omitted in original version considered by Cabinet).

Responsible Manager (signature and date):

s 9(2)(a)

Welfare System Policy

Welfare System and Income Support Policy

Ministry of Social Development

To be completed by quality assurers:

Quality Assurance Reviewing Agency:

Treasury and the Ministry of Social Development.

Quality Assurance Assessment:

The Panel considers that the RIA partially meets Cabinet's quality assurance criteria.

Reviewer Comments and Recommendations:

The conclusion of the options analysis seems reasonable but more depth of evidence and analysis (particularly of any adverse consequences of the policy and off-setting operational savings from stopping it) would have made for a stronger and clearer assessment.

Section 2: Problem definition and objectives

2.1 What is the policy problem or opportunity?

Work obligations for people receiving a main benefit vary based upon the age of their only or youngest child:

- Work preparation obligations apply where the youngest child is aged under three years.
- Part-time work obligations apply where the youngest child is aged between three and 14 years.
- Full-time work obligations apply when the youngest child is aged 14 years and over.

Under the current subsequent child policy, if someone has another child while they are receiving a benefit, work obligations are based on the age of their youngest non-subsequent child¹ from the additional child's first birthday. This means that, in some instances, a parent is required to look for or enter part time work from as soon as their youngest child turns one or risk losing their benefit income due to sanctions. Work obligations while being the parent of such a young child can add further stress to the parent(s), and limit the extent to which they are able to interact with their child and support its development during its first 1,000 days, which is a crucial development period for children.

The existing policy also creates issues related to fairness across the welfare system. At present, three separate parents on Sole Parent Support with youngest children of the same age can be subject to different work obligations based upon whether the child was born while the parent was receiving a benefit or whether the child has older siblings. This means that children of the same age in otherwise equivalent situations can have different levels of parental engagement and developmental support, creating inequities between the development opportunities of the children. It can also cause confusion and uncertainty around what obligations beneficiaries have, making it more difficult to meet them and causing additional stress in the process.

There is no evidence that the policy has achieved its original expressed intent of improving employment or financial outcomes for affected beneficiaries, or that it has reduced long-term benefit use by that group.

2.2 Who is affected and how?

Removing the subsequent child policy is estimated to affect a small number of people who are already receiving a main benefit. This includes:

- 5,444 parents on Sole Parent Support would have their work obligations changed from part-time to work preparation.
- 2,533 sole parents on Jobseeker Support would be eligible for Sole Parent Support
- 1,014 partners of people on other main benefits (ie. not Sole Parent Support) would have their work obligations changed from full-time to part-time, or from part-time to work preparations.

For those who move from Jobseeker Support to Sole Parent Support, their rate of benefit will not change. However, they may have access to additional financial incentives that are only available to those on Sole Parent Support, such as Sole Parent Study Assistance.

¹ In this paper, the phrase 'non-subsequent child' is used to refer to either a beneficiary's oldest child (if all children were born while receiving a benefit) or all children born prior to receiving a benefit.

2.3 What are the objectives sought in relation to the identified problem?

The two primary objectives of this proposal support the Government's priorities of improving child welfare and overhauling the welfare system. These priorities are largely interconnected, as an integral aspect of the welfare overhaul work programme is improving wellbeing outcomes for families and whānau within the welfare system. This policy supports both objectives by simplifying the obligations imposed on families and whānau within the welfare system, and removing them entirely in some instances for families with a child below three years old, allowing parents to spend more time with their young children.

The overlap between the goals of improving child welfare and overhauling the welfare system makes their objectives largely consistent, and mitigates the risk of trade-offs between them being required. The removal is also consistent with the subset of the welfare overhaul work programme which calls for the review of obligations and sanctions within the welfare system to ensure they are designed and implemented to support wellbeing outcomes.

Section 3: Options identification

3.1 What options have been considered?

Analysis on potential courses of action has been primarily focused on a full removal of the subsequent child policy. Despite this, a potential counterfactual of maintaining the status quo has been explored as part of the analysis, while the impact of a limited removal has also been considered at stages.

Option 1: Remove subsequent child policy altogether

This option would see the full removal of the subsequent child policy, meaning that work obligations would be based solely on the age of the youngest child. This would maintain simplicity and consistent work obligations for all beneficiaries, and ensure that parents are able to be present at all stages of their child's development. Standard forms of support, including employment services, would still be available for parents who choose to seek to return to work earlier than their obligation to do so.

A full removal is estimated to cost approximately \$4.01 million over four years, an amount which can be covered by MSD's baseline and includes implementation and operational costs. Of this amount, the vast majority – \$3.966 million – equates to implementation costs such as IT and training. The remaining cost would consist of approximately \$11,500 per year in Benefits or Related Expenditure (BoRE), due to the increased eligibility for extra initiatives due to people moving from Jobseeker Support to Sole Parent Support. This number has been costed based on the current rate of uptake for such initiatives for parents currently receiving Sole Parent Support, which has been applied to the population which would be newly eligible to receive them. As Jobseeker and Sole Parent Support have the same rate of payment, changes in BoRE costs are limited to the increased eligibility for support programmes.

Given the lack of evidence to suggest that the policy has contributed to better employment outcomes, we do not expect that the removal of the policy to have a significant impact on employment outcomes.

Option 2: Increase the age limit for the subsequent child policy

An alternative to removing the policy would be to increase the age at which the

subsequent child policy applies, from one to three years old. This would allow parents to continue to be present during the early years of their child's life while maintaining obligations on beneficiaries to return to full time work before their youngest child is 14 years old. In this option, operational costs from implementation and training would remain the same as in a full removal of the policy, while the BoRE cost would be smaller than they would under a full removal, due to a smaller number of people being eligible for the additional initiatives. Further to this, MSD's modelling on the cohort affected by the subsequent child policy has found no evidence that the policy has increased employment outcomes or changed approaches to employment. As such, there is not a significant financial benefit for pursuing this option as opposed to a full removal, and the policy would simply delay the negative aspects of maintaining early work obligations as opposed to removing them outright.

Status Quo

The impact of not changing the policy was also partly considered as part of the analysis process. Work obligations for beneficiaries in this instance would continue to shift to the next-youngest child upon the youngest child's first birthday. There would be no changes to eligibility for benefits or additional support, and no additional departmental operating costs.

However, parents would continue to face work obligations which, if met, would reduce the time they can spend with their child at an early age. This assumption is supported by consultation carried out by the WEAG which found that work obligations such as this were causing some beneficiaries significant additional stress – which in this instance would come at a crucial moment in their child's development. Otherwise comparable beneficiaries would continue to be treated differently based upon their family structure, with no indications of impact on employment rates.

As with above, MSD's modelling has shown no evidence that the status quo has achieved its desired outcomes. This has not included any assessment of behavioural changes beyond employment, as we consider that it would likely not be possible to model the impact of the policy on such changes separate from wider societal and economic impacts.

Additional support services

At some stages of the policy process, we have also considered the possibility of funding an initiative to provide employment services to families who would be affected by the removal of this policy, similar to Gingerbread in the United Kingdom. The intent of this would be to balance the removal of work obligations with measures to ensure that employment outcomes do not decline for affected families. However, we do not believe such an initiative is necessary for multiple reasons:

- There is no evidence to suggest that removing the subsequent child policy will have an impact on employment outcomes
- A range of employment initiatives already exist for jobseekers and others in the welfare system, including training programmes, subsidies, and employment-focused case management
- Similar organisations, such as Birthright, already exist.

3.2 Which of these options is the proposed approach?

Of the options considered, we propose a full removal of the subsequent child policy. There is no evidence that the policy has achieved its desired intent, nor is there evidence

that the removal of the policy will significantly change employment outcomes for impacted parents. In contrast to this, there is a large amount of evidence highlighting the importance of parental presence, and the detrimental impact of additional stress on parents, in the first 1,000 days of a child's life, especially with regard to its effect on long-term wellbeing outcomes for the child.

Removing the policy will ensure parents are able to be present at their child's crucial stage of development without stress or fear that they are not meeting their obligations, which may result in sanctions or the loss of their benefit. It will reduce stress on the parents caused by the requirements associated with work obligations, such as meetings with case managers and job interviews, and then juggling work and family obligations if they are successful in finding employment.

The removal of the policy will also maintain consistency across the welfare system, and ensure that beneficiaries in equal situations with children of the same age are treated equally. This further increases the simplicity of the system, making it easier for clients to navigate and simpler to administer. It would also mean that case managers would have more time to spend helping clients and making sure they receive the right support they need, rather than focusing on additional administrative processes.

The move is also consistent with Government priorities and the recommendations of the WEAG to relating to whakamana tāngata in the welfare system. More specifically, the WEAG recommended the removal of some obligations and sanctions, such as the subsequent child policy, as a step to help create a more equitable welfare system with a focus on improving wellbeing outcomes. Some instances of this have already been enacted, such as the repeal of section 192, which sanctioned solo parents if they did not disclose the other parent of the child.

Section 4: Impact Analysis (Proposed approach)

4.1 Summary table of costs and benefits

Affected parties (identify)	Comment: nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts</i>
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Additional costs of proposed approach, compared to taking no action

Regulated parties	Beneficiaries – adjusting to changes in work obligations system	Low (if any)
Regulators	MSD, Work and Income (WINZ) – cost of implementation to make required changes (IT, training, comms etc) and ongoing benefit eligibility changes	\$3.966 million (implementation) \$0.012 million per year ² (initiative eligibility)
Wider government	N/A	N/A
Other parties	N/A	N/A
Total Monetised Cost	Implementation and alterations to operating model and small ongoing cost from additional benefit eligibility	\$4.01 million
Non-monetised costs	Impact on families and case workers requiring adjustment to new criteria	low

Expected benefits of proposed approach, compared to taking no action

Regulated parties	Significant benefit for affected parties who are able to remain home with their children at crucial developmental period, without facing additional stress from obligations and compliance exercises.	High
	People moving from Jobseeker Support to Sole Parent Support will have access to additional support measures, such as Sole Parent Study Assistance (SPSA), Work Bonus, and the Training Incentive Allowance (TIA)	\$0.012 million per year ²
Regulators	MSD, WINZ – makes system simpler, moves towards more equitable welfare system. Non-costed savings from fewer work tests and interviews	Medium
Wider government	Fits with the Government's objective of improving child welfare (such as the Child and Youth Wellbeing Strategy), contributes to improving Māori wellbeing. Responds to the issues raised by claimants to the Mana Wāhine Kaupapa Inquiry	Medium

² Costed based on current uptake rates for Training Incentive Allowance, Sole Parent Study Assistance and Work Bonus being applied to the population group which would be newly eligible (2,533 parents on Jobseeker who would move to Sole Parent Support)

Other parties	N/A	N/A
Total Monetised Benefit	No costings of monetised benefits	N/A
Non-monetised benefits	Improves wellbeing outcomes for young families and whānau on benefit	Medium

4.2 What other impacts is this approach likely to have?

The impact of removing the subsequent child policy is relatively small, and is mostly isolated to the small number of beneficiaries which are in the affected population. However, for those affected by the policy, the additional flexibility afforded by lighter work obligations alongside greater access to initiatives such as TIA and SPSA (for people moving from Jobseeker to Sole Parent Support) ensure that they are able to better consider their options for returning to work. For instance, instead of being obligated to take a potentially unsuitable job, someone may take advantage of TIA to gain the necessary training to enter a longer-term career.

The removal of the policy is also expected to particularly benefit certain population groups, including women and Māori. This is due to these groups being overrepresented in the benefit population generally, and Sole Parent Support more specifically.

The removal of this policy may be of public interest and give rise to some positive and negative media attention as a result. This is consistent with the reaction to the removal of the section 192 (formerly section 70A) provision in May 2019.

The removal of this policy could also have positive implications for New Zealand's domestic and international human rights obligations. Particularly, this would include improving consistency with the United Nations Convention on the Rights of the Child, which recognises the State's role in providing material assistance and programmes to support child development.

Section 5: Stakeholder views

5.1 What do stakeholders think about the problem and the proposed solution?

The proposed approach has been informed by the findings of the Welfare Expert Advisory Group, which in turn was informed by the views of stakeholders and those who took part in the engagement process.

Through the production of their report, the WEAG conducted wide consultation with a variety of groups across New Zealand. This included face to face meetings with more than 1,300 individuals and organisations, 1,348 written submissions, and additional submissions through online engagement.

This consultation found that work obligations – particularly those which related to sole parents and would be covered by the removal of this policy – can cause a large amount of additional stress for beneficiaries at what can often already be a difficult time. They can cause additional confusion or pressure that can exacerbate difficult situations, and can cause people to be adversely affected for not being able to work more hours due to childcare requirements.

The WEAG found that most work obligations were used as tools to elicit social behaviours instead of being specifically work-related, and recommended that the current regime of obligations and sanctions be reformed to incorporate mutual expectations between MSD and beneficiaries that are applied according to individual circumstances.

Section 6: Implementation and operation

6.1 How will the new arrangements be given effect?

Removing the subsequent child policy will require an amendment to the Social Security Act 2018, and can be implemented fully by November 2021, subject to Parliamentary priorities.

The following timeline is separate from legislative approval, which will need to be sought separately. Given the limited time before the House rises in August 2020 for the dissolution of parliament ahead of the general election, the required legislative amendments are not able to be passed as part of this parliament. Further advice will be provided to the incoming government on the appropriate legislative vehicle and next steps. This may pose a risk to implementation timelines depending on its progression and position within the legislative agenda.

Below is an indicative timeline of the implementation process, noting that several factors (such as the upcoming general election) mean that it is subject to change:

Date	Action
22 July 2020	Cabinet paper considered at the Cabinet Social Wellbeing Committee
October 2020 – January 2021 (4 months)	Service Delivery design and business requirement planning / approval
February – November 2021 (10 Months)	IT implementation and delivery of technical solution

We estimate that MSD's Service Delivery will require approximately four months for completing the design and business requirement planning, including seeking their approval. This includes operational policy impacts and preparation for changes required by IT during their stage of implementation. It will also work on developing transitional arrangements for clients who may become eligible for different support as a result of the changes.

We estimate that IT will require approximately ten months from the conclusion of Service Delivery's work to deliver the technical solution. This will involve designing and preparing the system to make changes consistent with the removal of the policy. Such changes would include removing complex rules relating to subsequent children, changing work obligations to be set on the youngest child, moving affected clients to the correct benefit or work obligations level, and advising clients of these changes.

Notification about the policy change will include training for frontline staff at MSD facilities, as well as either physical or digital letters to affected people.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

Sufficient data is already collected regarding the uptake and usage of benefits to make monitoring the effects of the change possible. Ongoing monitoring and analysis of the welfare system will include the impacts of the change.

The extent of data already collected means that extra data is not required. MSD has data that allows monitoring of numbers of benefit recipients with subsequent children and the frequency with which sanctions for non-compliance with obligations are applied to people with subsequent children.

MSD will continue to develop a range of indicators and measurements to monitor how welfare overhaul changes are affecting people engaging with the benefit system. Monitoring reports will also provide timely indications of trends that warrant deeper understanding through analysis and evaluation, and will monitor the impact of the different initiatives on other sectors of Government where possible.

7.2 When and how will the new arrangements be reviewed?

There is no planned review of the policy at this stage. However, if concerns are raised as part of ongoing monitoring of the welfare system, this can then feed back into the need for a review of the policy at that point.