

# report



MINISTRY OF  
SOCIAL DEVELOPMENT  
*Tē Manatū Whakahiato Ora*

Date: 5 April 2013 Security Level: IN CONFIDENCE  
To: Hon Paula Bennett, Minister for Social Development

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## Future Focus Evaluation Report: March 2013

### Purpose of the report

- 1 This report provides you with the results to date from the Future Focus changes. It is the third in a series of Future Focus evaluation reports. It updates the March 2012 Future Focus evaluation report, and provides findings to date on the impact of:
  - the Unemployment Benefit (UB) 52-week reapplication
  - work obligations for Domestic Purposes Benefit - Sole Parent (DPB-SP) clients
  - the eight week medical certificate and 52-week reassessment for Sickness Benefit (SB) clients
  - changes to the application process for hardship assistance.
- 2 This is the last Future Focus evaluation report. As the Welfare Reform programme adopts and expands on Future Focus changes, we will continue to report on the impacts of the changes through the evaluation of Welfare Reform.

### Executive summary

- 3 The Future Focus changes included incentives and support for benefit recipients to take up work, changes to work obligations (including sanctions for clients who did not meet their obligations), and tightening of access and active assessment. Most of the changes took effect from 27 September 2010. Part-time work obligations and additional assessments for SB clients took effect from 2 May 2011.
- 4 Between September 2010 and December 2012, the impact of the Future Focus changes has varied for different client groups.

### *Impact on Unemployment Benefit recipients*

- 5 The UB 52-week reapplication process has significantly reduced benefit receipt for affected clients. The reapplication impact is primarily through clients exiting benefit after the automatic cancellation of benefit at anniversary. Between September 2010 and the end of December 2012, the 52-week reapplication process reduced client numbers by 3,300 and saved an estimated \$86 million in main benefit expenditure.

### *Impact on Domestic Purposes Benefit - Sole Parent recipients*

- 6 Part-time work obligations for DPB-SP clients with a youngest child aged six or over have reduced the time spent on benefit by an average of five days. We estimate this has resulted in an average reduction of 400 clients on main benefit per month<sup>1</sup> between 27 September 2010 and the end of December 2012, and saved \$12.9 million<sup>2</sup> in main benefit expenditure over the same period.

### *Impact on Hardship Assistance*

- 7 Under the Future Focus hardship model, there has been a significant reduction in hardship grants and total expenditure on hardship assistance. Clients on benefit at the end of December 2012 had 176,700 fewer hardship episodes in the previous 12 month period and received \$23.44 million less in hardship assistance than clients in the 12 months ending December 2009 (prior to the introduction of Future Focus). This trend was also evident for clients on benefit at the end of December 2011.<sup>3</sup> The reduction in hardship assistance has been driven by a decline in clients receiving multiple hardship grants.

### *Impact on Sickness Benefit recipients*

- 8 The eight week medical certificate introduced for SB clients has not reduced the time clients spend on main benefit. While it has brought forward some SB cancellations between eight and 16 weeks, this has been more than offset by the change in the timing of the subsequent medical certificate, which moved from being required at 17 weeks after grant to 21 weeks under the new policy. Clients who previously would have exited through medical certificate expiry at 17 weeks after grant are now exiting at 21 weeks.
- 9 The main impact of the new eight week medical certificate has been to increase the average number of medical certificates SB clients have to submit.
- 10 The impact of the 52-week reassessment on the likelihood that a SB client will exit benefit is not large enough for us to be able to estimate the impact on time spent on main benefit, and associated benefit savings.
- 11 As reported previously, we are unable to gauge the impact of part-time work obligations for SB clients, as information on SB clients' ability to work part-time was not captured prior to Future Focus. Under the Welfare Reform work programme, we will be exploring whether these changes have had an impact.

### *Informing Welfare Reform*

- 12 Future Focus evaluation findings have, and are, being used to inform Welfare Reform policy development and service delivery design.
- 13 This is the last Future Focus evaluation report. As the Welfare Reform programme adopts and expands on Future Focus changes, we will continue to report on the impacts of the changes through the evaluation of Welfare Reform.

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1 Note that this figure accounts only for clients leaving benefit earlier than they would have in the absence of part-time work obligations, however does not account for any reduction in inflow to benefit.

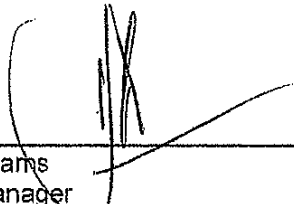
2 This figure is in 2012 dollars.

3 See Table 1 on page 9 of this report.

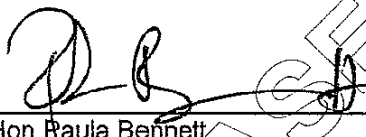
**Recommended actions**

It is recommended that you:

- 1 **note** the findings to date of the impacts of the Future Focus changes
- 2 **note** these findings are informing the development of Welfare Reform policy and service delivery
- 3 **note** that this is the last Future Focus evaluation report. We will continue to report on the impacts of Future Focus changes through the evaluation of Welfare Reform.

  
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Dorothy Adams  
General Manager  
Centre for Social Research and Evaluation

5/4/13  
\_\_\_\_\_  
Date

  
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Hon Paula Bennett  
Minister for Social Development

8/4/13  
\_\_\_\_\_  
Date

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## Background

### *The Future Focus changes*

- 14 Under Future Focus, since 27 September 2010:
- Unemployment Benefit (UB) recipients are required to reapply for their benefit and complete a Comprehensive Work Assessment interview every 52 weeks
  - Domestic Purposes Benefit – Sole Parent (DPB-SP) clients whose youngest child is six years or older are subject to part-time work testing<sup>4</sup>
  - Hardship applicants are able to receive their first and second grants in a year over the phone
  - repeat applicants for hardship assistance are subject to new budgeting obligations.
- 15 Since 2 May 2011:
- clients in receipt of Sickness Benefit (SB)<sup>5</sup> for 52 weeks are required to attend a reassessment interview with a case manager. The reassessment interview includes the client completing structured questions in a Work Readiness Assessment (WRA)
  - new SB clients are required to undergo an additional medical assessment by a health practitioner eight weeks after their grant date (shifting out the dates of 13 weekly reassessments thereafter)<sup>6</sup>
  - clients issued with a medical certificate indicating they are capable of work for 15–29 hours a week have part-time work obligations.

### *Evaluation method*

- 16 This report is the third and final in a series of Future Focus evaluation reports. The last full update report was provided in March 2012.
- 17 The evaluation has used a mixed methods approach, involving:
- analysis of administrative data to assess findings on the impacts of the Future Focus changes for different client groups
  - analysis of interviews with Work and Income staff on the implementation of the changes.
- 18 The evaluation covers:
- the impact and estimated benefit savings associated with the UB 52-week reapplication

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<sup>4</sup> These changes affected approximately 88,800 clients over the period (around 45,000 at any one time), as part of the implementation of these changes it was agreed that Work and Income would focus on a smaller number of these clients (4,500) at any one time. This has since changed as a result of the October 2012 service delivery changes, however this impact is not observed in this data given the short period since implementation of the October changes and the period of time it takes to transition clients into the new service delivery.

<sup>5</sup> This includes SB and SB Hardship.

<sup>6</sup> Prior to Future Focus, medical reassessments were required four weeks after grant and at 13 week intervals thereafter. After Future Focus, reassessments were required four and eight weeks after grant and at 13 week intervals thereafter.

- the impact and estimated benefit savings associated with the DPB-SP part-time work obligations
- the impact and estimated benefit savings associated with the eight week medical certificate and 52-week reassessment for SB clients on main benefit receipt
- a descriptive impact of changes to the application process for hardship assistance, by comparing clients' hardship receipt prior to and following the introduction of Future Focus.

19 Previous Future Focus evaluation reports in June 2011 and March 2012 provided earlier findings on the impact of the UB 52-week reapplication, DPB-SP work obligations, and the Future Focus changes to hardship assistance. The March 2012 report also provided findings on the implementation and operation of Future Focus from analysis of interviews with Work and Income staff.

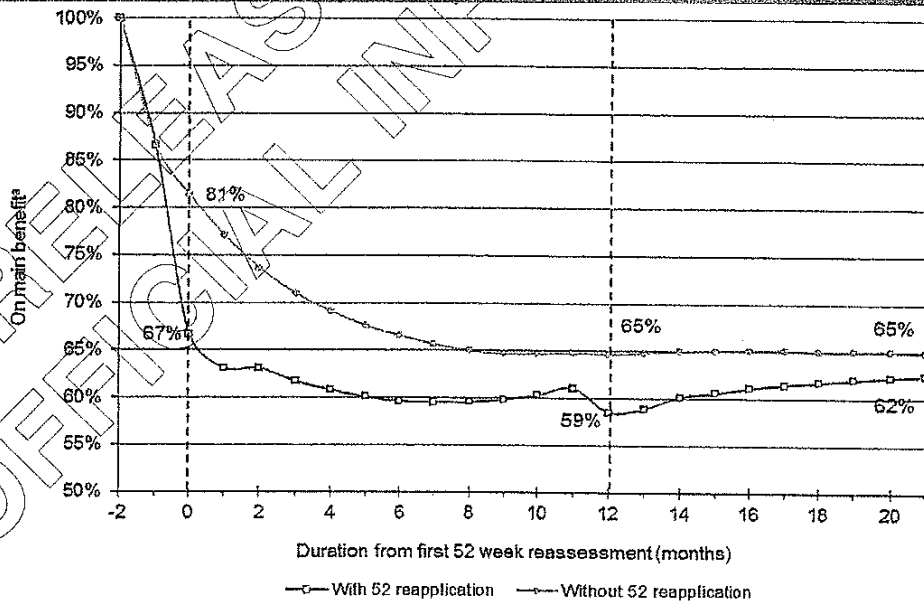
### Unemployment Benefit

*The UB 52-week reapplication process has significantly reduced the time affected clients spend on benefit, and therefore also reduced income support expenditure.*

20 Following a client's first 52-week reapplication, the average time spent on benefit reduces by 41 days over the following 21 months. Because we have not seen the total impact of the 52-week reapplication process, the final impact is likely to be larger than reported here.

21 Between September 2010 and the end of December 2012, the 52-week reapplication process reduced the stock of clients on benefit by an average of 3,300 and saved an estimated \$86 million in main benefit expenditure.

Figure 10: Impact of the 52-week reapplication process on the probability of being on main benefit



Note: These are not survival curves, since they account for clients returning to main benefit after exit. The 'without reapplication' line represents the probability of being on main benefit if clients had not been required to participate in the reapplication process

Source: Information Analysis Platform (BDD), CSRE, MSD (research data not official MSD statistics).

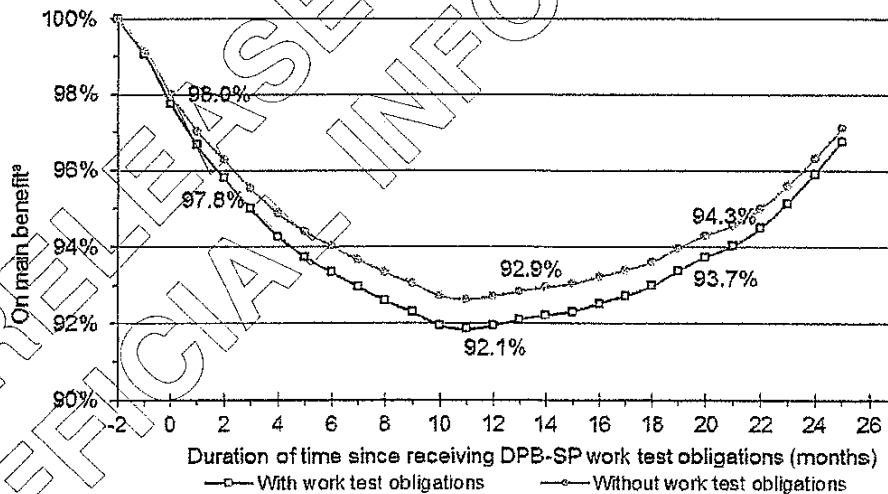
- 22 As we reported previously, the largest impact continues to be at the point where clients reach their anniversary date, through automatic cancellation of benefit for clients who do not complete the 52-week reapplication process. At the first anniversary date, 18 percent of affected clients exited benefit as a result of the 52-week reapplication process.<sup>7</sup> A similar pattern of exits occurs when clients reach their second 52-week reapplication.
- 23 The findings are consistent with international evidence that shows that requiring clients to confirm their circumstances results in increased benefit exits as clients choose not to participate.

### Domestic Purposes Benefit-Sole Parent

*For recipients of DPB-SP with a youngest child aged six or over, part-time work obligations have reduced the time affected clients spend on benefit, and therefore also reduced income support expenditure.*

- 24 Between 27 September 2010 to the end of December 2012, part-time work obligations have reduced the time affected DPB-SP clients spend on benefit by an average of five days.
- 25 Based on the above results, we calculate the changes to DPB-SP resulted in an average reduction of 400 clients on main benefit per month between 27 September 2010 and the end of December 2012. We estimate that this has saved \$12.9 million<sup>8</sup> in main benefit expenditure over the same period.

Figure 2: Impact of the Future Focus changes to DPB-SP on the probability that a client will be on main benefit.



Note: (a) These are not survival curves, since they account for clients returning to main benefit after exit.  
 (b) The 'without work test obligations' line represents the probability of being on main benefit if clients had not had work test obligations introduced.

Source: Information Analysis Platform (BDD), CSRE, MSD (research data not official MSD statistics).

- 26 These findings are consistent with international evidence that shows applying work obligations to sole parents receiving welfare benefits increases the rate of exit from benefit.

<sup>7</sup> This accounts for clients who immediately returned to benefit after having their benefit automatically cancelled.

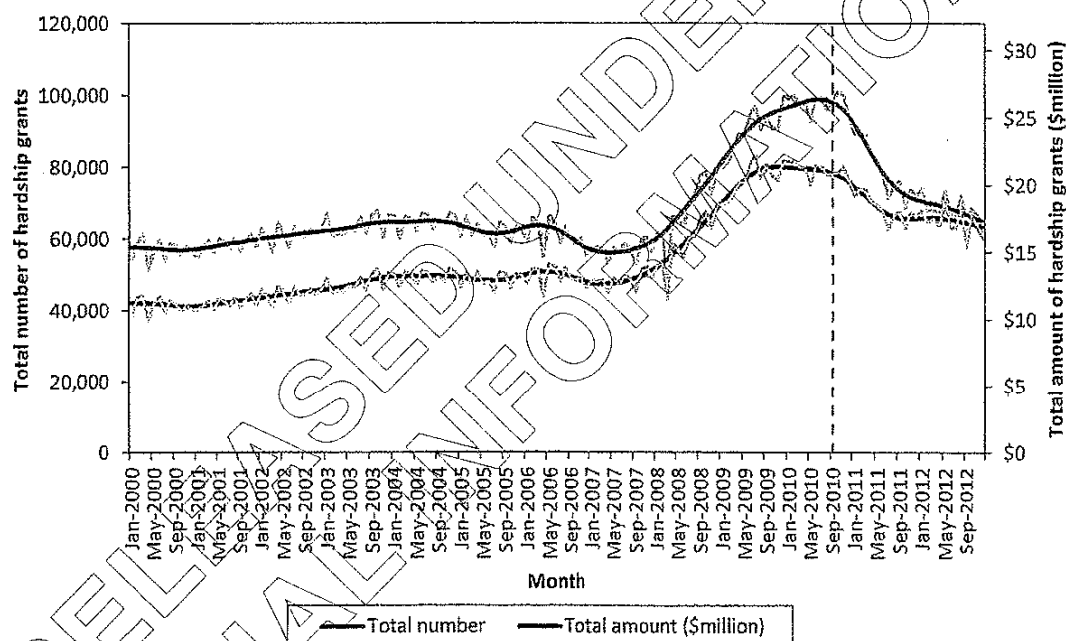
<sup>8</sup> This figure is in 2012 dollars.

## Hardship Assistance

*Under the new hardship model, there has been a significant reduction in hardship grants and total expenditure on hardship assistance*

- 27 As reported previously, there was a steep decline in the total number of hardship grants after the introduction of the Future Focus hardship model (Figure 3). The rate of decline has slowed since mid-2011. Overall, the total number of hardship grants fell by 33 percent between October 2010 and December 2012.
- 28 The total dollar amount of hardship grants also fell after the introduction of the new hardship model – but to a lesser extent than the number of grants. Overall, the total amount of hardship grants fell by 18 percent between October 2010 and December 2012.<sup>9</sup>

**Figure 3: Total number and dollar amount of hardship grants per month (seasonally adjusted) and trend (Jan-July 2000 – December 2012)**



Note: This graph shows trends in the seasonally-adjusted total number and amounts of hardship payments in each month, as well as the smoothed underlying trend using the X11 procedure in SAS.  
 Source: Information Analysis Platform, official MSD statistics.

- 29 Clients on benefit at the end of December 2012 had 176,700 fewer hardship episodes in the previous 12 month period and received \$23.44 million less in hardship assistance than clients on benefit at the end of December 2009 had over the previous 12 months (prior to the introduction of Future Focus) (Table 1).<sup>10</sup> This trend was also evident for clients on benefit at the end of December 2011.

<sup>9</sup> The percentage changes in the total number and amount of hardship grants were based on the smoothed underlying trend rather than the actual figures, which are highly seasonal.

<sup>10</sup> This includes recipients of New Zealand Superannuation.

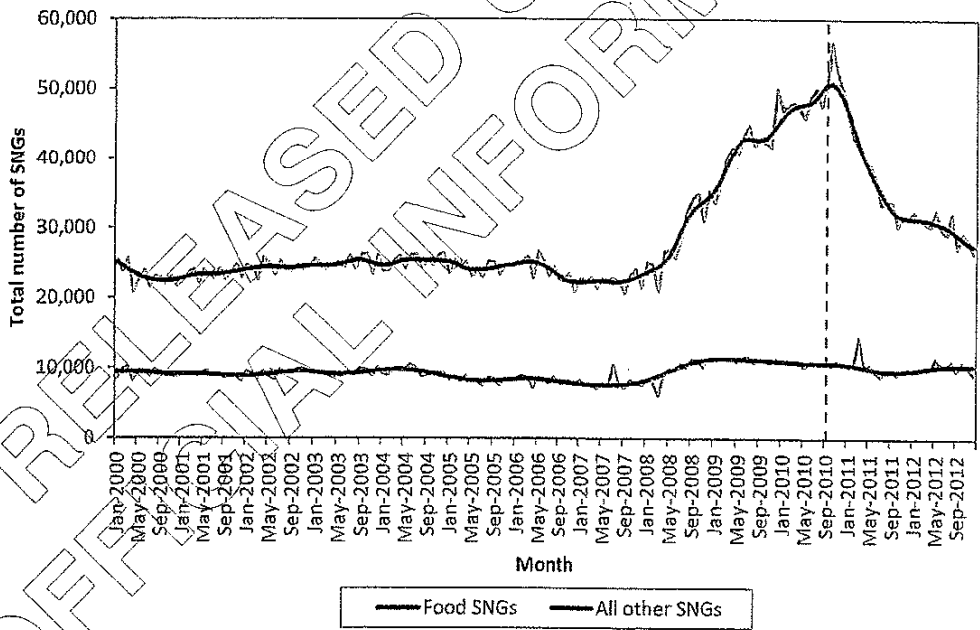
Table 1: Total number and amounts of hardship episodes granted in the previous 12 months to clients on benefit at December end, 2009 to 2012

Month	Total number of clients at month-end <sup>(a)</sup>	Total number of hardship episodes in previous 12 months	Total amount of hardship episodes in previous 12 months (\$ million)
December 2009	967,718	690,070	\$187.71
December 2010	996,547	764,554	\$194.74
December 2011	1,017,013	592,674	\$171.98
December 2012	1,029,577	513,417	\$164.27

Note: (a) Includes clients receiving a main benefit, New Zealand Superannuation or Veteran's pension.  
 Source: Information Analysis Platform.

30 Much of the decline in grants overall under the hardship model is accounted for by a significant decline in Special Needs Grants (SNGs) for food, with little change in the use of other SNGs. As shown in Figure 4 below, the number of hardship grants increased between early 2008 and late 2010, before declining steeply following the introduction of Future Focus.<sup>11</sup> Also contributing to the overall decline in hardship grants under Future Focus is fewer Advance Payments of Benefit for reasons such as rent arrears and car repairs.

Figure 4: Total number of food and other Special Needs Grants per month (Seasonally adjusted and trend), January 2000 – December 2012



Note: This graph shows trends in the seasonally-adjusted number of food SNGs and all other SNGs in each month, as well as the smoothed underlying trend using the X11 procedure in SAS.  
 Source: Information Analysis Platform, official MSD statistics.

11 The trend towards increasing numbers of hardship grants between 2008 and 2010 is largely explained by policy changes to hardship assistance, in particular a change introduced from 4 August 2008 in response to the recession which had the effect of doubling the amount that could be accessed for food within a year. The change to allow the first and second grants in a year to be made by phone under the hardship model may have contributed to the increase in late-2010.



- 31 DPB clients (mainly sole parents) continue to be the most likely to use hardship assistance, and over a quarter (28 percent) reached the threshold for budgeting activities in the 12 months ending December 2012. This proportion is however considerably lower than the 39 percent at December-end 2009 (pre-Future Focus).
- 32 Being the largest users of hardship assistance has also meant that DPB clients have experienced the largest decrease in hardship assistance under Future Focus. DPB clients at the end of December 2012 had 97,500 fewer hardship episodes and received \$16.91 million less hardship assistance in the prior 12 month period than DPB clients at the end of December 2009 (prior to the introduction of the hardship model). This trend was also evident for DPB-SP clients on benefit at the end of December 2011.

*The reduction in hardship assistance has been driven by a decline in clients receiving multiple hardship grants.*

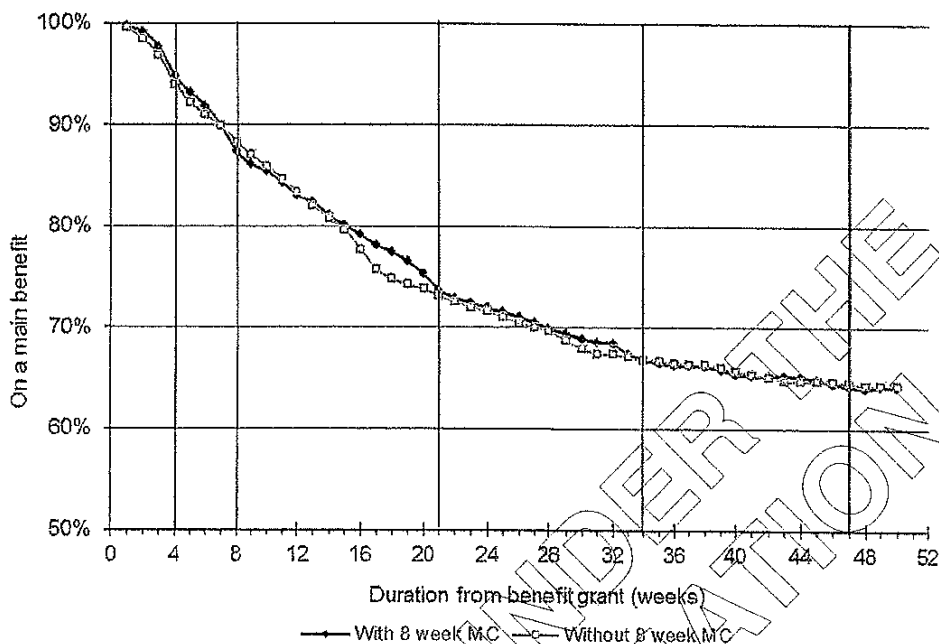
- 33 While the number of hardship grants has reduced considerably, the proportion of hardship applications declined has not changed very much under Future Focus. In the year before the changes, eight percent of all hardship applications were declined. Following the introduction of Future Focus in October 2012, proportion has generally fluctuated between eight and nine percent. The main contributor to the reduction in hardship assistance under Future Focus has been a decline in clients receiving multiple grant episodes, and in particular, much fewer clients receiving six or more hardship episodes within a year.
- 34 The declines in hardship assistance discussed above were not driven by changes in client numbers (including New Zealand Superannuation), as these have increased little since September 2010.

#### **Sickness Benefit**

*The eight week medical certificate for SB clients has not reduced the time clients spend on main benefit.*

- 35 Previously we reported that the introduction of the eight-week medical certificate had reduced the proportion of clients remaining on SB between eight and 16 weeks, by bringing forward some SB cancellations. However, this reduction has been more than offset by the change in the subsequent medical certificate, which moved from being required at 17 weeks after grant to 21 weeks under the new policy (Figure 6). Clients who previously would have exited through medical certificate expiry at 17 weeks after grant are now exiting at 21 weeks.
- 36 The main impact of the new eight week medical certificate has been to increase the average number of medical certificates SB clients have to submit. Previously, clients would submit an average of 2.7 medical certificates in their first year on SB. Under the new policy, clients are submitting an average of 3.3 medical certificates, an increase of 0.7 medical certificates for each client granted SB.

Figure 6 Impact of the introduction of the eight week medical certificate on the time SB clients spend on main benefit



Note: These are not survival curves, since they account for clients returning to main benefit after exit

*The 52-week reassessment for SB clients has not had a significant impact.*

- 37 Previously we reported the 52-week reassessment introduced for SB clients under Future Focus had caused some clients to cancel benefit earlier than they would have. However the increase was modest and much smaller than for the UB 52-week reapplication (see page 5). It is likely that the reason for this difference is that SB clients' entitlement is continually assessed through the requirement to submit medical certificates at least every 13 weeks.
- 38 After further investigation, the impact of the 52-week reassessment on the likelihood that a client will exit benefit is not large enough for us to be able to estimate the impact on time spent on main benefit, and associated benefit savings.

*We are unable to gauge the impact of part-time work obligations for SB clients.*

- 39 As reported previously, we are unable to gauge the impact of part-time work obligations for SB clients, as information on SB clients' ability to work part-time was not captured prior to Future Focus. Under the Welfare Reform work programme, we will be exploring whether these changes have had an impact.

**Informing Welfare Reform**

- 40 The evaluation of the Future Focus changes is being used to inform the current Welfare Reform work programme, which adopts and expands on several successful aspects of Future Focus.
- 41 This is the last Future Focus evaluation report. We will continue to report on the impacts of the changes, where relevant, through the evaluation of Welfare Reform.