



Ministry of Social
Development:
Using a case
management
approach to
service delivery



Ministry of Social Development: Using a case management approach to service delivery

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Contents

Auditor-General's overview	4
Our recommendations	7
Part 1 – Introduction	8
Why we carried out our audit	8
Structure of this report	8
Scope of our audit	9
Our audit expectations	10
How we carried out our audit	10
Part 2 – Background	11
The Ministry's role in labour markets	11
The labour market context	12
Welfare reforms from 2011 to 2013	14
The role of Work and Income within the Ministry	16
Part 3 – The Ministry's new service delivery model for Work and Income	19
Design of the new model for service delivery	19
Introducing a new case management approach	20
Putting the changes in place	23
Managing case management costs	25
Helping clients with the highest complex needs	28
Part 4 – Case management capability and capacity in Work and Income	30
Putting staff into new roles	31
Building case management capability through coaching and training	32
Using performance management to increase staff capability	34
Supporting staff with guidance	36
Increasing capability and capacity by providing effective IT applications	37
Using capacity better by simplifying administration and online services	38
Working out where staff are needed	40
Matching the streaming rules and staffing allocations	41
Part 5 – Measuring early results and learning from them	42
Analysing the results of the case management approach trials	42
Supporting people after they move into work	44
Keeping clients engaged with case management	45
Measuring the effect of work-focused case management	49
Delivering Better Public Services results	50
Monitoring changes in the valuation of the welfare system	51
Using results to inform decision-making	52
Part 6 – Clients' experiences and perspectives	54
Getting most things right, most of the time	54
Putting it right when things go wrong	56
Current matters raised by clients and their advocates	57
Appendices	
1 – Examples of client obligations	61
2 – Labour force participation rates in OECD countries, 2013	62
3 – Labour market movements in New Zealand, 2004 to 2014	63
4 – Work and Income's service standards	64

Figures

1 – Labour force participation rates, June 2004 to June 2014	12
2 – Work and Income case management model	18
3 – Case management categories, as at June 2014	21
4 – Costs of case management, 2006/07 to 2013/14	25
5 – Case management costs for each working-age benefit administered, 2006/07 to 2013/14	26
6 – Percentage of work-focused case-managed clients with at least one contact in the previous 28 days	46
7 – Percentage of scheduled work-focused appointments that clients did not attend, January to July 2014	47
8 – Number of working-age clients receiving Jobseeker Support benefit continuously for more than 12 months, June 2010 to June 2014	50
9 – List of improvements suggested by clients we interviewed	60

Auditor-General's overview

This report looks at the Ministry of Social Development (the Ministry) and its case management approach to delivering services. We looked at the approach the Ministry uses for working-age adults in its 160 Work and Income service centres. We decided to look at this aspect of case management because the Ministry provides financial and employment assistance to about 294,000 people each week. Work and Income's staff costs were \$186 million in 2013/14, and it pays out more than \$8 billion annually in financial support.

Our audit included seeking feedback from the people whose cases are managed by the Ministry – its “clients”. Like many people who use public services, the Ministry's clients have high, but not unrealistic, expectations about the standard of service they want to receive. Taxpayers also expect the Ministry to provide its services cost-effectively.

When we did this audit, the Ministry had only recently changed its approach to case management. It designed its new approach to meet the needs of existing clients and the extra 80,000 people who are now required to look for work as part of the Government's welfare reforms. The new approach was at a relatively early stage of development, and the Ministry knew it had more to do.

The changes the Ministry needed to make were significant. The Ministry has managed these changes competently so far, with no decline in the service that clients received.

Overall, my staff concluded that the Ministry's case management approach is serving most clients well, while reducing – in real terms – its overall case management costs.

The Ministry has some innovative methods for assessing whether its spending gets the best return for taxpayers by getting the best outcomes for clients. These methods are still developing, but are providing useful information for the Ministry. Early results are mixed, although the Ministry is well placed to understand why. Good information is important because the Ministry wants to continue making evidence-based decisions about further changes to its case management approach.

The Ministry is tailoring its approach to meet the needs of its clients. It is focusing more intensively on those clients who need more support to achieve greater financial independence.

The Ministry has maintained good levels of client service. It gets most aspects of service right, for most clients, most of the time. Most clients we spoke with said that good case managers had made a real difference to their lives.

When something goes wrong, the Ministry provides clients with good opportunities to seek redress, and the Ministry works well with those who advocate on behalf of clients.

However, some clients remain unhappy about aspects of how the Ministry communicates with them, and advocates tell us that some aspects are not improving. Earlier this year, we published a report about a performance audit of how the Ministry deals with complaints. The recommendations in that report, and the client perceptions discussed in this report, should give the Ministry a clear idea of what it needs to do better.

The Ministry now needs to focus on several other matters to improve the effectiveness and efficiency of its case management approach.

The Ministry's work-focused case management approach requires building ongoing relationships, and the Ministry is at an early stage in defining how case managers should engage with clients to get the best outcomes. The Ministry produced case management practice guides in May 2013, but staff awareness of the guides is low. More staff training, guidance, and support is under way, which will help staff achieve the goals of the new case management approach.

The Ministry is simplifying its processes and centralising routine transactional work. This should allow case managers more time with clients by reducing the amount of administrative work they need to do. The Ministry needs to improve the systems that staff use, and consider how it makes guidance more accessible for staff.

A high number of clients miss their appointments with case managers. The Ministry needs to find ways to minimise missed appointments, because the opportunity cost is high. It could learn from other organisations that have appointment systems and look to innovate in the way it engages with clients.

The Ministry's staff work with people with complex needs on a daily basis. Some of those people, with very high levels of need, require co-ordinated health, education, housing, and social services to get the best outcomes for themselves and their families. This report highlights the need for the Ministry and other agencies to work together to help adults with the highest barriers to employment.

I thank those members of the public who shared their experiences and views of Work and Income with my Office. I would also like to thank the Accident Compensation Corporation for seconding a senior staff member to our audit team. I appreciate and acknowledge the assistance of Colmar Brunton with the interview work that contributed to this report, and the Ministry staff who shared their time and views.

A handwritten signature in black ink, appearing to read 'Lyn Provost', written in a cursive style.

Lyn Provost
Controller and Auditor-General

1 December 2014

Our recommendations

We recommend that the Ministry of Social Development:

1. encourage the development of a cross-agency response to support working-age adults with the highest levels of complex needs into work, through its role on the Social Sector Chief Executives Forum;
2. develop an approach to assessing and supporting case manager performance that reflects the importance of soft skills, such as effective client engagement, as well as the technical skills that case managers need to have;
3. reduce the number of appointments that clients miss by:
 - improving how it communicates with clients about appointments;
 - encouraging other innovation to increase the percentage of appointments kept;
 - reviewing the ways in which clients can comply again after failing to attend an appointment; and
 - increasing management support and coaching for staff to help them manage clients who routinely miss appointments; and
4. include full and clear financial information in suitably worded letters to clients, including letters sent after a change in a client's circumstances.

1

Introduction

- 1.1 In this Part, we explain:
- why we carried out our audit;
 - the structure of this report;
 - the scope of our audit;
 - our audit expectations; and
 - how we carried out our audit.

Why we carried out our audit

- 1.2 Our 2013/14 work programme has a *Service delivery* theme. Some entities deliver public services through “client-based management” and similar approaches. We decided to carry out performance audits to see how well entities were delivering customer-focused services that were effective and efficient and that met people’s different needs.
- 1.3 We decided to look at how two entities use case management and deal with complaints: the Ministry and the Accident Compensation Corporation.¹ This was because large numbers of people rely on their services, which involve large sums of public money. The Ministry pays benefits to about 294,000 working-age people (called “clients”) each week.
- 1.4 Our audit also delivers on a commitment we made in an earlier report² to “look again at how cases are managed” within the Ministry. We made that commitment in a report on aspects of the case management of sickness and invalids’ benefits we published in October 2009.
- 1.5 Throughout this report, we refer to the Ministry because it is the entity we audited. However, our findings are about services the Ministry provides through its Work and Income business unit.

Structure of this report

- 1.6 In Part 2, we describe, at a high level, what the Ministry is trying to achieve. It sets the context for why the Ministry needed to implement work-focused case management, and Work and Income’s role in delivering it.
- 1.7 In Part 3, we assess how the Ministry designed and implemented its new service delivery model.

1 The three reports we have published – *Ministry of Social Development: How it deals with complaints*, *Accident Compensation Corporation: How it deals with complaints*, and *Accident Compensation Corporation: Using a case management approach to rehabilitation* – are available on our website at www.oag.govt.nz.

2 *Public entities’ progress in implementing the Auditor-General’s recommendations 2012*, available on our website at www.oag.govt.nz.

- 1.8 In Part 4, we assess whether the Ministry has the right case management capability and capacity.
- 1.9 In Part 5, we look at how well the Ministry collects and uses performance information, and how it is using early results of the new service delivery model to improve its case management approach.
- 1.10 In Part 6, we share the views of clients, and those who advocate for them, about their experiences of how the Ministry uses case management.

Scope of our audit

- 1.11 Our audit considered the services provided by case managers within Work and Income. We describe what case managers do in paragraphs 2.32-2.35. We did not look at the services provided by work-search support, work brokers, labour market specialists, or services contracted out to third-party providers.
- 1.12 The types of case management we looked at are:
- work-focused case management – general; integrated; and health conditions, injury, or disability; and
 - general case management.
- 1.13 Our audit mainly focused on case management for people who receive a benefit with work obligations.³ That is, we focused on people with full-time or part-time work obligations, with work preparation obligations, and with deferred work obligations.
- 1.14 The Government's policies, labour markets, the welfare reforms, and the Ministry's investment approach provide important context for our audit. We have not audited government policies because that is outside our mandate. Our starting point is that the Government has given the Ministry a job to do, so we looked at how well it is doing it. We consider whether the Ministry's implementation of its new service delivery model – and case management approach – is consistent with those policies. To get the expected results for both taxpayers and the Ministry's clients, successful implementation is important.
- 1.15 We got the valuation figures we use for the future liabilities of the welfare system from the Ministry and actuarial valuation reports. We did not audit these figures.

³ Obligations are expectations people have to meet in return for ongoing payment of benefits. See Appendix 1 for more details.

Our audit expectations

- 1.16 We expected that the Ministry would be able to show that:
- it had a clear and evidence-based approach to the design and operation of a case management system that was consistent with government policy and the law;
 - its case management approach focused on clients' needs and was effective and efficient;
 - it had the capability and capacity to deliver the welfare reform agenda, and support case managers to do their jobs; and
 - it used performance information, including the experiences of clients, to improve the effectiveness and efficiency of its case management practice.

How we carried out our audit

- 1.17 To carry out our audit, we visited the Ministry's regional offices and service centres in Nelson, Greymouth, Wellington, Porirua, Auckland, Manukau, and Three Kings.⁴ We spoke with front-line staff and regional managers at the regional offices and service centres we visited, to see how service centres run. We also interviewed staff at the Ministry's national office in Wellington.
- 1.18 For our work on clients' perspectives, we met with representatives from beneficiary advocacy groups. We contracted Colmar Brunton to carry out 12 detailed interviews with case-managed clients to hear about their experiences of dealing with the Ministry. We used information from our Colmar Brunton survey of, and interviews with, Ministry clients who have complained to the Ministry.⁵ We also reviewed a small sample of 20 client files, selected randomly from the case management streams and offices and service centres we visited.
- 1.19 We also:
- reviewed and analysed documents, including Cabinet papers, business cases, plans, policies, procedures, staff guidance, and performance information;
 - tested the computer applications that Ministry staff use in their day-to-day work; and
 - collected and analysed information about the Ministry's case management costs.

⁴ We selected these offices and service centres to cover rural and urban locations, big and small offices, and a range of locations with differing economic conditions.

⁵ We discuss the survey and interviews in our 2014 report, *Ministry of Social Development: How it deals with complaints*.

Background

- 2.1 In this Part, we discuss the context for the Ministry's Work and Income services covered by our audit, and what the Ministry is trying to achieve. We discuss:
- the Ministry's role in labour markets;
 - the labour market context;
 - the most recent government reforms of the welfare system, which the Ministry's new service delivery model is designed to deliver; and
 - the role of Work and Income within the Ministry.
- 2.2 Many developed countries have active labour market policies. Economists disagree about their effectiveness, broadly based on whether they think there is a role for government in the economy or whether they think economic markets are self-regulating. In New Zealand, the Government's recent welfare reforms set clear expectations for the Ministry on active labour market policy.
- 2.3 We set out the labour market context in this Part because it is relevant to how successful the Ministry's work-focused case management approach can be. The intended effect of work-focused case management is to reduce long-term benefit dependency by increasing labour market participation. High participation rates are desirable, but benefit dependency can still exist if the number of jobs available does not rise. This means the Ministry might have less opportunity to reduce the number of people receiving a benefit unless there are other structural changes to the labour market that increase the demand for workers.

The Ministry's role in labour markets

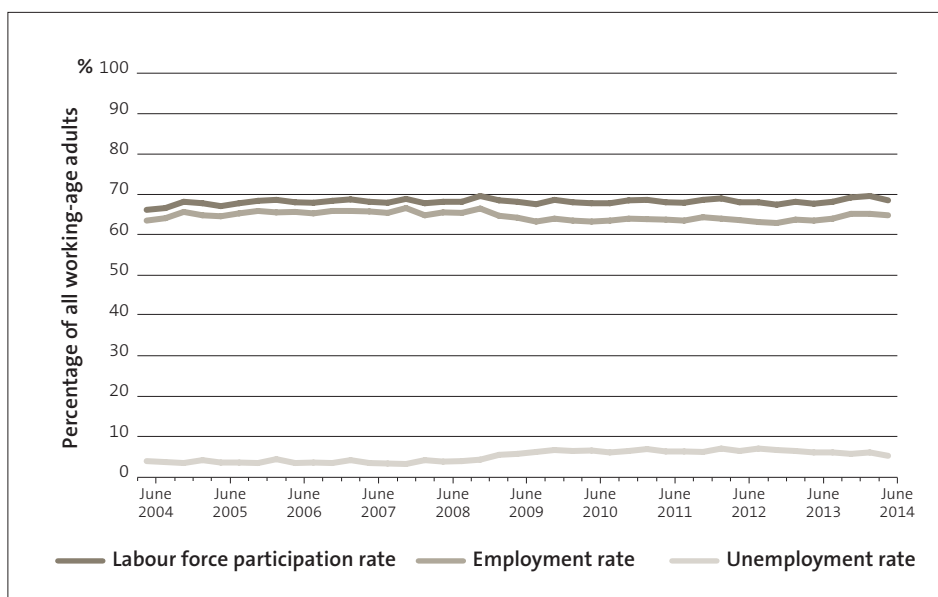
- 2.4 Labour market economics is complex. The Ministry is just one of many government and private sector organisations with influence.
- 2.5 The Ministry can influence labour markets by increasing supply and matching supply and demand. It does this in a number of ways:
- The Ministry increases the **supply** of people ready for employment by increasing the **numbers** of people ready for employment. This might not always add to the gross number of jobs available, but it could give employers confidence to expand their business if they are more confident that they will have a steady stream of suitable employees.
 - The Ministry improves the **capacity** of individuals, particularly those at risk of long-term benefit dependence. This does not necessarily lead to increases in overall employment rates, but it enables people to compete more equitably.
 - The Ministry co-ordinates, by **matching** labour supply (capacity and numbers) to labour demand (opportunities).

2.6 Our audit of case management covers the Ministry’s services that influence the supply side of the labour market.

The labour market context

2.7 Figure 1 shows that, in June 2004, the labour force participation rate of working-age adults was 66.2%. This is calculated by adding the employment rate (those who are working) and the unemployment rate (those who are not working, but who are ready and available for work). By June 2014, the participation rate had risen to 68.5%.

Figure 1
Labour force participation rates, June 2004 to June 2014



Source: Statistics New Zealand

Note: These figures differ from those in Appendix 2 because Statistics New Zealand and the Organisation for Economic Co-operation and Development (OECD) present the data on working-age adults differently. Statistics New Zealand reports the usually resident, non-institutionalised, civilian population of New Zealand aged 15 and over. The OECD aggregates the figures for 15-64 year-olds, and then reports separate figures for over 65-year-olds. This is because the participating countries do not have a standard retirement age.

2.8 Figure 1 also shows the effect of the economic downturn. Although the overall participation rate has remained between about 68% and 70% since 2006, the unemployment rate increased from 4.4% in March 2009 to 7.1% in March 2012. We briefly discuss the Ministry’s service response to this in paragraph 3.8. By June 2014, the unemployment rate had fallen to 5.4%.

- 2.9 New Zealand has high levels of labour force participation compared to other OECD countries. Appendix 2 shows the participation rates for OECD countries for 2013.
- 2.10 Previous efforts to raise employment levels in New Zealand mainly focused on getting people claiming an unemployment benefit into work. Although that focus should lead to positive changes in the balance between employed and unemployed people, it does not increase participation rates. This is because many people are not actively seeking work and do not claim an unemployment benefit.
- 2.11 Working-age people might not actively seek work for several reasons, including:
- they have an illness or disability that prevents them from working;
 - they stay at home to raise children;
 - they have an independent income – for example, a pension from early retirement;
 - they are studying; or
 - they are working, but for “cash in hand”.
- 2.12 Although people in these categories might not claim an unemployment benefit, it is likely that many might claim other social welfare benefits, allowances, or subsidies.
- 2.13 Appendix 3 shows our analysis of changes to the labour market for the period between June 2004 and June 2014. During this period, the working-age population grew by 434,300. The number of people participating in the labour market also increased by 370,200.
- 2.14 There are significantly more people not participating in the labour market than there are claiming unemployment benefits. Between June 2004 and June 2014, the number of people not available for work increased by almost 64,100 to just more than 1.1 million. This represents almost a third of the working-age population. Comparatively, 132,000 people claimed an unemployment benefit in June 2014.

Key fact

1.1 million working-age people are not registered as unemployed, but are not available for work. This is almost one-third of the working-age population.

Welfare reforms from 2011 to 2013

- 2.15 The welfare reforms are an important context for our audit, because welfare payments total about \$8 billion each year. The most recent actuarial valuation (the valuation) of the welfare system in 2013 estimated that the total future liability⁶ was \$76.5 billion.⁷
- 2.16 In seeking to reduce future welfare liabilities, the Government focused its most recent reforms and policy on people not participating in the labour market. In a Cabinet paper, the Government said that it aimed to:
- ... fundamentally shift the welfare system to one that encourages independence and personal responsibility, primarily through paid employment, and which contributes to better social and economic results for individuals, families and the country. They deliver the policy levers we (the Government) will need to support the investment approach and to achieve the reductions in long-term dependency we are seeking.*
- 2.17 The welfare reforms were implemented in three main stages:
- In August 2012, support for young people changed. The emphasis was changed to encourage young people back into education and training to reduce the likelihood of them needing a benefit.
 - Changes in October 2012 focused on people who had not traditionally been a target for employment support. They included sole parents and also widows and other women alone.
 - In July 2013, the biggest changes took place. This included:
 - “collapsing” all the previous main benefits into three new categories;
 - extending work-focused interventions to a wider range of people; and
 - introducing additional obligations for some people to meet to be paid a benefit.
- 2.18 In February 2014, the Ministry introduced “Work Ability” assessment tools to support the case management approach. The policy intent is to support people with health conditions, injuries, or a disability so they can participate in the labour market. In other OECD countries, introducing similar assessments has been contentious, and implementation of the New Zealand scheme has progressed slowly.

Key facts

Total welfare payments each year – \$8 billion.

Future liability of the welfare system – \$76.5 billion.

6 This “liability” is not included in the financial statements of the Ministry or the Government, because it relates to future costs and does not meet the definition of a liability under generally accepted accounting practice. For the purposes of this report, we use the term future liability.

7 This includes all the future lifetime costs of benefit payments, and associated expenses, for people receiving benefits in the 12 months up to, and including, the effective date of the valuation.

- 2.19 The assessments focus on the kinds of work people can do, rather than what they cannot do. Clients guide the process by completing a self-assessment. At the time of our audit, few work ability assessments were complete, but trials involving specialist case management were being carried out.
- 2.20 There are three new main benefit categories and obligations:
- **Jobseeker Support.** A benefit for people who are looking for employment. Full-time work obligations generally apply for people with no children or people whose youngest child is aged 14 years or older. Part-time work or work preparation obligations can apply for people with a reduced ability to work.
 - **Sole Parent Support.** A benefit for sole parents whose youngest child is younger than 14 years. Work preparation obligations apply where their youngest child is under five years old. Part-time work obligations apply where their youngest child is aged between five and 14 years.
 - **Supported Living Payment.** A benefit for people with limited, or no, ability to work because of serious illness, injury, or disability. This benefit is also available to full-time carers (not partners or spouses) who are looking after people who would otherwise need hospital (or equivalent) care. Work obligations do not apply.
- 2.21 The investment approach referred to in paragraph 1.14 is used in the insurance industry. The Ministry told us that its application to a social welfare system is thought to be a world first.
- 2.22 In the New Zealand welfare setting, the investment approach:
- predicts the likely long-term benefit costs of a person based on what has happened in the past to other people with similar backgrounds and circumstances;
 - works out what interventions and services work best, and for whom, based on results for others;
 - uses that information to set priorities for investment in (and disinvestment from) services; and
 - directs those services towards those people most amenable⁸ to achieving a positive change, thereby reducing long-term costs.
- 2.23 Also, external actuaries carry out an annual valuation of the welfare system's predicted future costs. This includes economic trends, policy changes, and the financial effect of interventions and services.
- 2.24 The Ministry and the Treasury will be using the annual valuation as evidence to decide whether the approach is working. We discuss valuations further in Part 5.

⁸ In the context of this report, amenability means being open to influence, persuasion, or advice, and being able and willing to act on it.

The role of Work and Income within the Ministry

- 2.25 Work and Income provides financial support and employment-related services to working-age adults throughout New Zealand.⁹ Some of those services include:
- helping people to boost their skills and providing other support that increases their work readiness;
 - supporting people in their search for work;
 - assisting people with practical matters that increase their chances of sustaining employment;
 - brokering job placements with employers; and
 - helping people secure childcare.
- 2.26 Work and Income also manages payments to superannuitants, loans and allowances for students, and other benefits to those unable to support themselves fully.
- 2.27 Work and Income delivers its services through a network of more than 160 service centres¹⁰ and 2508 staff. This includes the equivalent of 1780 full-time case managers providing services to working-age adults.¹¹ Staffing costs in 2013/14 were \$186 million. Contact centres are often the first point of client contact with Work and Income. As well as other activities, the staff in the contact centres can book appointments and deal with changes in clients' circumstances. Some tasks are processed off-site.
- 2.28 Work and Income's primary objective for working-age adults is to get people who can work into work, while providing financial assistance for those who cannot work. It also aims to get people involved in the labour market by dealing with the barriers that have led to their non-participation in the workforce. The approach is based on the Ministry's research into international practice, which indicates that, for most people, working produces favourable results beyond providing an income.
- 2.29 Most working-age adults who need support because they are out of work will have face-to-face contact with a Work and Income case manager. Work and

Key facts

Over 160 Work and Income Service Centres.

2508 staff.

Staff costs in 2013/14 – \$186 million.

9 For the purposes of this report, "working-age" adults are aged 16 to 64. However, Work and Income does offer some services to people older than 64 who are still seeking employment. Statistics New Zealand and the OECD use a different definition. Statistics New Zealand defines "working-age" as being all those over 15 years old. The OECD uses 15 to 64 years old.

10 There are also StudyLink outreach centres and contact centres.

11 Excluding housing case managers.

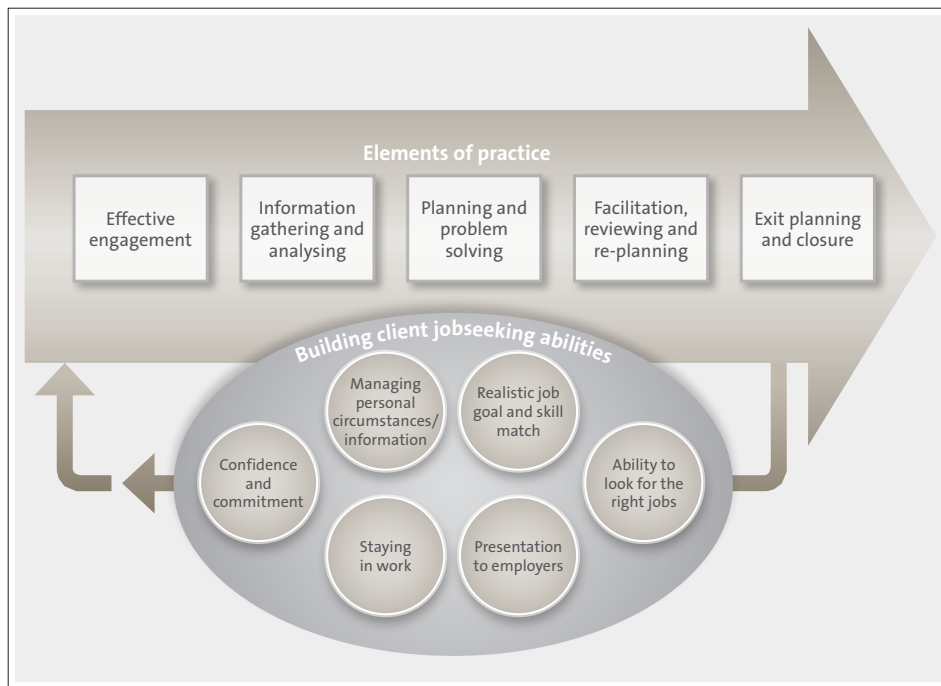
Income books about 1.7 million appointments with people each year. Work and Income is often one of only a few government agencies present in many towns.

- 2.30 In July 2013,¹² Work and Income introduced a new service delivery model to support the government's welfare reform changes.
- 2.31 At the time of our audit, there were (in full-time equivalents) 736 work-focused case managers, 874 general case managers, and 170 work-search support case managers.
- 2.32 General and work-focused case managers:
- check and process clients' benefit entitlements and make referrals for other types of support, including childcare and housing; and
 - apply sanctions if clients fail to meet their work, work preparation, or social obligations.¹³
- Key facts**
- 1780 full-time equivalent case managers:*
- 736 work-focused;
 - 874 general; and
 - 170 work-search support.
- 2.33 Work-focused and work-search support case managers also proactively:
- review clients' job search progress, give advice, and refer clients to training providers when required; and
 - work with clients to find solutions to matters that are preventing them from working.
- 2.34 Work-search support case managers also deliver seminars and provide other training to groups of job seekers.
- 2.35 Work and Income's work-focused case management model includes engagement, problem-solving, and supporting clients to be ready for employment. Work-focused case management staff have ongoing relationships with clients. Figure 2 shows the features of the model. We discuss this model in more detail in Part 4.

¹² Pilot projects were run in some areas from October 2012.

¹³ Sanctions are reductions in benefits, based on a sliding scale relative to the number of obligation failures.

Figure 2
Work and Income case management model



Source: Redrawn from a figure provided by the Ministry of Social Development.

The Ministry's new service delivery model for Work and Income

3

- 3.1 In this Part, we describe how the Ministry:
- designed its new service delivery model;
 - designed its case management approach and what that approach looks like;
 - put in place the changes to its service delivery model;
 - managed its administrative costs through the changes; and
 - needs to work with other agencies to provide services to people with complex needs.

Summary of our findings

- 3.2 Overall, we are positive about what the Ministry has achieved in the first year of its new service delivery model. The Ministry has more to do, but progress so far is in line with what we could reasonably expect after such a significant change.
- 3.3 There was enough evidence to support the initial design of the new service delivery model. The Ministry is now learning from what is working well, and not so well, in those aspects where evidence is scant.
- 3.4 The Ministry has met the operational challenges of implementing welfare reform well. Good planning ensured uninterrupted payments to clients on “go live” day in July 2013. Investment in training and good communication led to informed staff who are well versed in policy changes.
- 3.5 The Ministry is managing to make these changes while reducing administrative costs in real terms, which is good for taxpayers, providing results are achieved too.
- 3.6 However, the new model does not yet cater well for people with high and complex needs, and greater collaboration with other agencies is needed.

Design of the new model for service delivery

Evidence underpins the design of the Ministry's new service delivery model, which in turn supports its approach to case management. The Ministry has embedded evaluation at the centre of the new model, so it can learn about what is (and what is not) working well.

- 3.7 The overall shape of the Ministry's new service delivery model is, to a significant extent, dictated by policy and the law. Within those boundaries, the Ministry has successfully designed an operational model. The model should help deliver the investment approach outcomes sought once it has had a chance to mature.
- 3.8 Before the global financial crisis, the Ministry provided active, job-related case management. In September 2008, the Ministry stopped using one-to-one case

management because of a sharp increase in beneficiary numbers. The Ministry's service model changed at this time to focus on delivering high volumes of transactional services. Clients would usually see a different "case manager" each time they visited a service centre.

3.9 In July 2013, new legislation came into effect, bringing an increased focus on work outcomes for clients. The number of people who had to show they were actively looking for work rose from 50,000 to 130,000.

3.10 The Ministry's design of a new service delivery model is in line with international evidence and government policy. The model supports the investment approach by directing resources towards interventions that promise the best results for clients and the greatest financial return on investment for taxpayers.

Key fact

Welfare reform changes mean that 80,000 more people have work obligations.

3.11 For example, the OECD researches and promotes active labour market policies. It says:

*... **strategies** help ensure that job seekers have a better chance of finding employment. Key features of such strategies are to enforce work-availability and mutual obligation requirements, meaning that benefit recipients are expected to engage in active job search and improve their employability, in exchange for receiving efficient employment services and benefit payment. In recent years, the OECD countries have placed increased priority on the effective co-ordination of active labour market policies with the administration of benefits and make-work-pay policies, so as to implement coherent activation strategies for recipients of unemployment benefits and other working-age persons who are outside the labour market.¹⁴*

3.12 In 2006, the United Kingdom National Audit Office reported that, "Independent research suggests the use of Personal Advisers (one-to-one case managers) is associated with greater numbers leaving benefits".¹⁵ The amount of time advisors spent advising customers was crucial to effectiveness.

Introducing a new case management approach

The Ministry's case management approach targets resources to those clients who need more support to find work, and who are more likely to be dependent long-term on benefits.

3.13 In October 2012, the Ministry began trials of a new case management model in 23 locations. The new model provided differing levels of case management intensity

¹⁴ OECD website – www.oecd.org.

¹⁵ National Audit Office (2006), *Delivering effective services through personal advisers*, London.

depending on the likelihood of clients' long-term benefit dependency. We discuss the results of the trials in Part 5.

- 3.14 The new model broadly meant that people with the greatest challenges in getting into work would see the same case manager more often. People who needed less help would receive, as a minimum, a benefits maintenance service until they found work again.
- 3.15 The Ministry adapted the model for the 15 July 2013 roll-out, in response to further legislative and policy changes.
- 3.16 Figure 3 shows the case management categories as they were at the time of our audit in May and June 2014.

Figure 3
Case management categories, as at June 2014

Client circumstances	Case management response	Method and frequency of engagement	Case manager caseload	Snapshot of clients in service 12/10/2014
<p>Clients with significant barriers to employment because of a health condition, injury, or disability</p> <p>Deferred work obligations, as currently not able to work more than 15 hours each week, but expected to be able to return to work in some capacity</p>	Work-focused case management – Health Conditions, Injury, or Disability stream*	Face-to-face with the same case manager at intervals no greater than 28 days	100 clients for every one case manager	4,904
<p>Clients with a health condition or disability whose condition allows for part-time work</p> <p>Clients with full-time work obligations who may have poor work history and be at risk from long-term benefit dependency</p> <p>Selected work-preparation clients, including 18,000 sole-parent clients with youngest child aged 3 or 4, and 4000 clients with youngest child aged 2 or under</p>	Work-focused case management, General stream	Face-to-face with the same case manager at intervals no greater than 28 days	121 clients for every one case manager	72,609

Clients aged 18-59 with full- or part-time work obligations that need additional support in job searching activity, or may need some work preparation activity. It can also include people who are waiting allocation to a work-focused case manager	Work Search Support	Engagement differs depending on how long the client has been receiving a benefit and therefore the process differs accordingly	217 clients for every one case manager	26,314
Former Youth Payment or Young Parent Payment recipients or clients, and those aged 18-24 who received a benefit for the first time when they were aged 18 or younger (Integrated service case managers can also optionally nominate up to 20 clients with complex needs who do not generally meet the eligibility criteria for this service)	Work-focused case management, integrated service stream	Face-to-face with the same case manager at intervals no greater than 28 days	80 clients for every one case manager, plus 20 optional clients	4,841
All other working-age clients not in work-focused case management or Work Search Support, including clients with no work preparation or work obligations and non-beneficiaries	General case management	Led by client contact, may not see same case manager at consecutive appointments, no set frequency	366 clients for every one case manager	274,220

* Work-focused case management – the Health Conditions, Injury, or Disability stream – is not available at all service centre locations. In July 2014, the Ministry expanded the service to 40 locations.

- 3.17 Alongside the new categories, the Ministry introduced a new centralised way of allocating – or “streaming” – clients to case managers. This method used some existing software to stream clients assessed as likely to incur high and long-term costs to the most intensive front-line services.
- 3.18 For every 11 people eligible for work-focused case management, the streaming tool diverted one into a control group. This was so the Ministry could measure the effect of its higher-intensity case management approach.
- 3.19 The Ministry also worked to develop the other aspects of the investment approach. The Ministry uses an actuarial approach to estimate the future long-

term benefit costs for specific groups of clients. This is a statistical calculation that uses data about the claims history of other similar people in similar circumstances. It then projects what the future benefit costs would be if no intervention took place.

- 3.20 The Ministry used the information on long-term costs to segment its clients into smaller groups, so it could tailor its services and interventions for those clients. There are more segments (currently 17) than there are benefit types. The Ministry is learning that, within the segments, there are smaller groups of clients with different needs. This is one way the Ministry uses client outcomes data to inform the design of its services.
- 3.21 The Ministry uses the segmentation approach to target investment towards those people projected to incur high and long-term welfare costs. For example, it knows that people who began receiving benefits at an early age are more likely to become long term dependent on benefits.
- 3.22 The Ministry is also trying to get better at understanding which clients are most amenable to actively engage in job-seeking or preparation activities. This is proving to be difficult, because there is little substantive evidence from the international research community about how to predict amenability, and the available evidence is contradictory. The Ministry is using trials to learn about positive and negative changes in client behaviour so it can refine its approach.
- 3.23 Using trials to decide which clients get what services should lead to effective prioritisation of resources, but it carries some risks. The future liability calculation considers only the Ministry's costs, including welfare payments. For example, some clients with complex needs and a high overall cost to taxpayers might receive only a small amount of benefit from the Ministry. We accept that, currently, the Ministry would face significant obstacles in moving to a model that reflected total costs throughout government.

Putting the changes in place

The Ministry has managed a complicated change competently. Good planning meant no disruption of benefit payments on the “go live” day in July 2013. Investment in training and good communication has led to informed staff who are well versed in policy changes. The Ministry still needs to give full effect to several plans, but progress so far is in line with expectations and prospects are promising.

- 3.24 On 15 July 2013, the new benefit categories went live. Benefits were paid on time, appointments were made and kept, and staff told us they were happy to be finally “getting on with it”. The fact that such a big change took place barely noticed by many and without anything major going wrong is an indication of good planning. The Ministry sent out more than 370,000 notifications to clients and received around 9250 queries. Of those who enquired, only around 3000 expressed dissatisfaction in some way.
- 3.25 As part of the preparations, staff received significant training on welfare reform changes over 12 weeks. Staff attended about seven workshops and training sessions each – almost 30,000 attendances overall. This was a huge undertaking, especially while maintaining front-line services. Almost every staff member we spoke to thought the training was useful.
- Key facts**
Preparations included almost 30,000 individual training attendances, and 22 IT projects at a cost of \$50 million.
- 3.26 Staff we spoke to were clear about what the welfare reforms were trying to achieve and understood the technical aspects of the changes, such as the new benefit types and obligations.
- 3.27 However, those staff felt less equipped for the changes to their case management practice. The Ministry is heading towards more specialised front-line services. It still needs to fully align its training, development, and performance management of staff to those services.
- 3.28 The training plans for the new service delivery model prioritised technical knowledge over guidance and training on case management practice. The number of changes to policy, procedures, and processes after the welfare reforms limited how much the Ministry could do in the first year. Some training on case management practice did take place – for example, on engaging with clients in the work-focused case management stream. More training on soft skills has been delivered since, for example on how to manage some difficult situations, and more was planned.
- 3.29 The Ministry designed and completed 22 Work and Income information technology (IT) projects to support the changes to benefits and obligations. The Ministry completed the projects in less than two years, at a cost of \$50 million.¹⁶ These projects included new applications and modifications that required making changes to several IT platforms. Although the Ministry completed the projects well, they highlight how complicated the Ministry's information systems are.

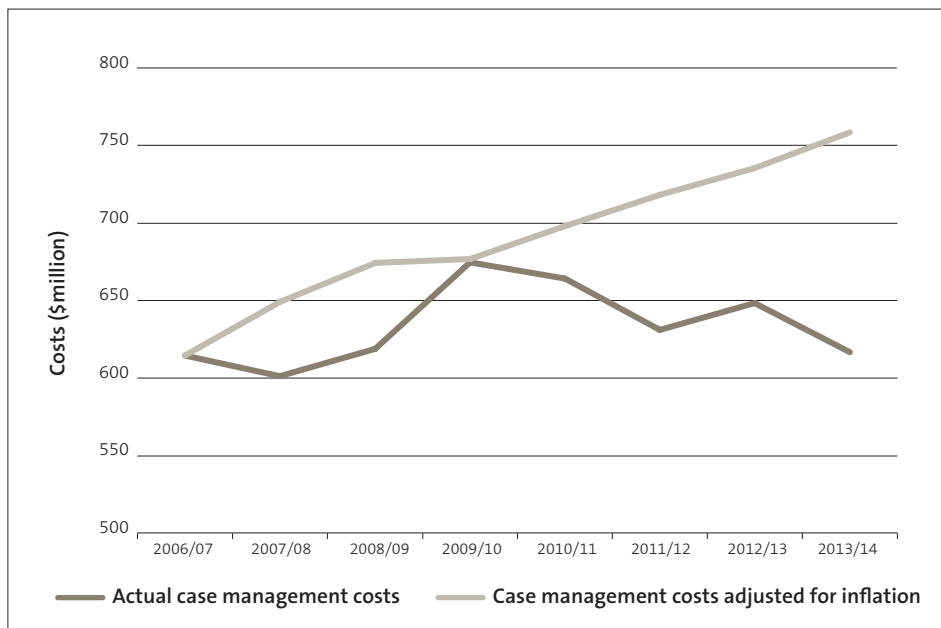
3.30 The Ministry recognises that both its case management practice and IT need further development. We discuss staff guidance, training, and IT applications further in Part 4.

Managing case management costs

The Ministry is reducing spending on case management in real terms. It is too early to say whether the new service model will continue this trend, and reductions in cost are not in themselves indicators of success. However, the Ministry's spending on case management is in line with achieving better value for money for taxpayers.

3.31 Figure 4 shows how much the Ministry spent on the case management of working-age clients from July 2006 to June 2014. The Ministry spent less money in most years on case management, after allowing for inflation.¹⁷

Figure 4
Costs of case management, 2006/07 to 2013/14



Source: Ministry of Social Development.

17 We have used wage inflation because most of the Ministry's administration costs are staff related. Figures have been calculated using the Reserve Bank inflation calculator, using Quarter 2 costs for comparison.

3.32 Figure 4 shows that a steep increase between July 2009 and June 2010 resulted in costs catching up briefly to the adjusted 2006/07 levels. This coincided with the peak in working-age beneficiary numbers. Costs were flat during the next few years, rising during the preparations for welfare reform changes and falling again since.

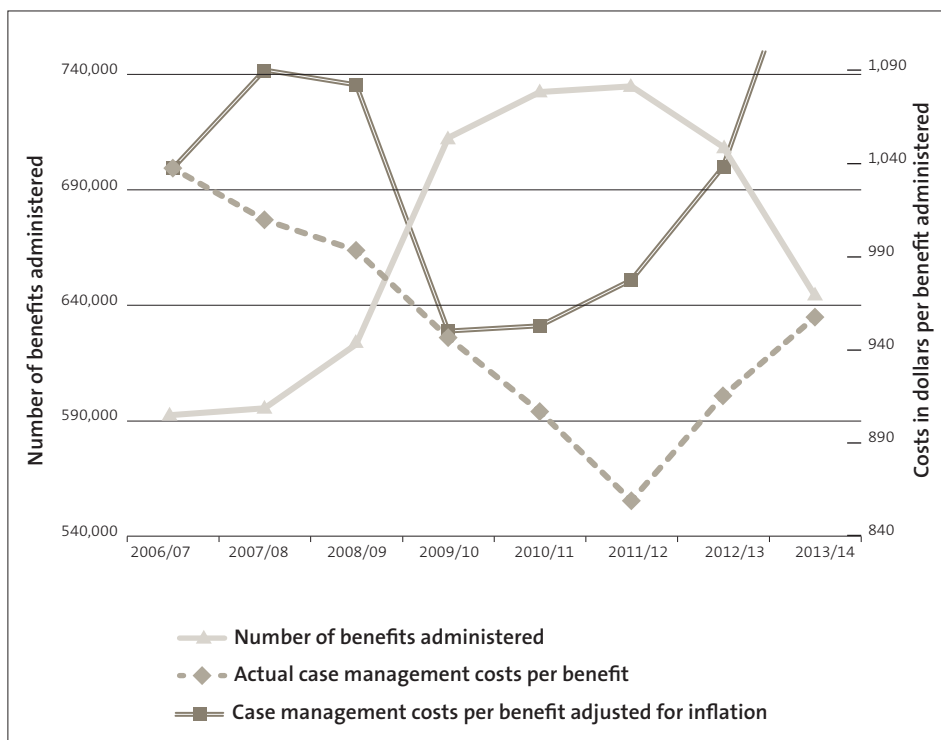
Key fact

The Ministry spends less on case management, in real terms, than it did in 2006.

3.33 In 2006/07, the Ministry spent \$614.5 million administering working-age benefits. If that spending had kept pace with wage inflation, it would be equal to \$758.2 million in 2013/14. The Ministry's spending for 2013/14 was \$616.8 million, \$141.4 million lower than if it had kept pace with wage inflation, and only \$2.3 million higher than in 2006/07.

3.34 Figure 5 shows how much the Ministry spent on case management for each working-age benefit processed in each year from 2006/07 to 2012/13. We show the actual costs and adjusted costs based on wage inflation.

Figure 5
Case management costs for each working-age benefit administered, 2006/07 to 2013/14



Note: We have used the number of working-age benefits administered, rather than the number of clients, because people can receive more than one benefit or have more than one period claiming a benefit during the year. The Ministry provided the figures, and we carried out the analysis.

- 3.35 If the Ministry's case management costs had continued to rise in line with wage inflation since 2006/07, it would now be spending about \$1,177 each year for each working-age benefit administered. The Ministry's actual spending is \$957.
- 3.36 The Ministry's case management spending fell most sharply between July 2008 and June 2009, reflecting the significant increase in benefit claims. There was a lag of about a year before costs began to rise again, broadly in line with inflation. In 2011/12, the increase was greater than the rate of wage inflation.
- 3.37 Figure 5 also shows that, during 2012/13 and 2013/14, the Ministry was broadly given the same amount of funding, while client numbers started to fall. This meant that the costs of case management started to rise, but this was in line with the Government's decisions to invest in intensive case management to help deliver the welfare reforms.
- 3.38 Low spending on case management is in line with providing better value for money for tax payers, but only if it is linked to achieving good results for clients. Very low spending could lead to some of the issues we describe in Part 4 – for example, service centre managers not having enough time to coach staff on their case management practice.
- 3.39 Our analysis of the Ministry's costs has limitations because it measures economy and not effectiveness. Until now, the Ministry has not collected information in a way that would enable more sophisticated analysis. The Ministry is now developing a model that will give a more detailed breakdown of the cost of delivering services, down to the level of individual clients. This should help the Ministry to better understand which particular client groups it is investing in and how this is changing over time.
- 3.40 The Ministry commissions an annual independent valuation of future social welfare payment costs. Changes in the valuation are expected to provide evidence about whether the Ministry's service delivery is working. The valuation considers external factors, such as economic growth or decline, to isolate the effect of welfare policy changes.
- 3.41 The Treasury contributed to the original thinking about the investment approach model. It also has a role as the external monitor of the Ministry's performance against the long-term future liability in regard to the welfare reforms. To date, there has been no independent testing of the valuation methodology. We comment on the valuation in Part 5.

Helping clients with the highest complex needs

Cross-sector collaboration will be needed to address the many barriers that prevent some working-age adults from participating in the labour market.

- 3.42 Currently, the Ministry's new work-focused case management model does not cater well for adults with the highest level of complex needs. By complex needs, we mean people who have a combination of problems, such as poor mental health, substance dependency (alcohol, drugs or both), repeat offending, or low educational achievement. They might not reside for long in one location, or could be homeless or living in poor accommodation. These problems can lead to people becoming, or remaining, unemployable and socially excluded.
- Key fact**
A cross-government investment approach might be needed to help clients with complex needs.
- 3.43 The Ministry's staff work on a daily basis with some clients who have complex and chaotic lives, and some of those clients have successful outcomes. However, work-focused case management is less likely to be effective for people who might need a more long-term, cross-government investment approach. International evidence on successful outcomes for people with multiple barriers to employment is limited, and the Ministry might need to build its own evidence base to find out what works.
- 3.44 The Ministry's success in reducing lifetime benefit liabilities could be limited if developing effective interventions for complex clients is not a priority for other government and non-government agencies in the social sector. A Performance Improvement Framework¹⁸ follow-up report on the Ministry in May 2013 summed up the problem as:
- Getting joint action across agencies has been a long-standing problem in New Zealand. ... There are complex interactions between Social Development, health, welfare, policing and employment outcomes for a sub-set of the population. These require joint actions from different professionals to solve problems ... Despite various efforts over the years, there is still inertia to be overcome in getting that joint action.*
- 3.45 The Ministry has recently appointed a Deputy Chief Executive Social Sector. This role has the task of supporting the Social Sector Chief Executives Forum (the

18 A joint central agency initiative to help senior leaders improve the performance of the agencies they lead. Performance Improvement Framework (PIF) reviews are published by the State Services Commission.

Forum).¹⁹ The Ministry is an active partner in the Forum, and currently leads cross-agency collaboration on the Government's priority areas.

- 3.46 The main focus of the Forum has been to deliver cross-agency priorities of:
- reducing long-term welfare dependency – by reducing the number of people who have been on a working-age benefit for more than 12 months; and
 - supporting vulnerable children – by increasing participation in early childhood education, decreasing the number of assaults on children, increasing infant immunisation rates, and reducing the incidence of rheumatic fever.
- 3.47 However, the work on reducing long-term welfare dependency has not yet had a significant effect for adults of working-age with complex needs. The Ministry currently prioritises investment on “short-term high intensity” services targeted towards clients whom the Ministry expects to achieve a positive outcome in a short period.
- 3.48 The Ministry also contributes to the work of the Forum's “Joint Venture Board”. For example, it participates in the youth-focused trials that have outcomes related to reducing truancy, offending, and alcohol and substance abuse, as well as increasing participation in education, training, and employment. There are no similar trials for adults with the highest levels of complex needs.
- 3.49 We understand that the Ministry is currently involved in discussions about how to extend and improve governance arrangements for cross-agency work. We consider it would be beneficial if the Forum consider what sector leadership and cross-agency working should look like for adults with complex needs. We understand that the Forum currently has a significant work programme under way and recognise that relative priorities are a matter for the Forum to decide. However, we expect to see some progress on this aspect when we follow up on this audit with the Ministry in 2016.

Recommendation 1

We recommend that the Ministry of Social Development encourage the development of a cross-agency response to support working-age adults with the highest levels of complex needs into work, through its role on the Social Sector Chief Executives Forum.

19 Members of the Forum also include the Secretaries for Justice and Education, the Director-General of Health, and senior officials from the State Services Commission, the Ministry of Business, Innovation and Employment, the Department of the Prime Minister and Cabinet, and the Treasury. Other chief executives are invited to work on relevant issues.

4

Case management capability and capacity in Work and Income

- 4.1 In this Part, we discuss our findings on the Ministry's case management capability and capacity – that is, its people and systems.
- 4.2 Capability refers to the right people with the right skills and behaviours, equipped with suitable tools and knowledge. We discuss:
- staff aptitude and the changing role of the case manager;
 - the Ministry's progress on developing its practice standards for case management and the skills, coaching, and training required to support those standards;
 - whether the way case managers' performance is appraised has changed, given the new ways of working;
 - what guidance case managers can access to help them do their jobs; and
 - how well IT applications support the delivery of case management tasks.
- 4.3 Capacity refers to having enough of the right capability in the right place at the right time. We discuss:
- the Ministry's plans to simplify some transactions and move some online or to centralised teams; and
 - how the Ministry is managing the supply and demand for case managers, including:
 - day-to-day deployment in service centres and covering for absences; and
 - whether the streaming of clients and the allocation of staff to service centres are aligned.

Summary of our findings

- 4.4 We met some excellent front-line staff. Their values, beliefs, and outlook are in line with what the Ministry and clients need as a foundation for effective case management. The Ministry knows what further skills its staff need and has started to develop its practice standards for case managers. This means that staff will need further training on their new roles.
- 4.5 The way that case managers' performance is supported has not caught up with the change in role and is too focused on aspects that are easy to measure.
- 4.6 The Ministry has some good resources to support case managers to do their jobs. The roles are complicated and busy, and there are some barriers to staff being fully effective and efficient. For example, guidance is extensive, and IT is clunky. Because of this, it can take two years for a case manager to become effective.
- 4.7 The Ministry has identified significant opportunities to gain further administrative efficiencies so staff can spend more time with clients who need more help.

- 4.8 It is difficult to cover staff absences and stay true to the service delivery model. There is significant variation in the use of staff on a day-to-day basis. The Ministry has more to do to match staff resources to demand.

Putting staff into new roles

Most staff are enthusiastic about the new case management approach. Some additional support is required to enable staff to become fully effective in their roles.

- 4.9 The case managers we chose to speak with displayed good aptitude for their roles. They were enthusiastic about the introduction of work-focused case management, used appropriate language with and about clients, and showed empathy. Many spoke passionately about why they did the job. However, aptitude and enthusiasm alone are not enough to make the new approach a success.
- 4.10 Many staff had been employed by the Ministry since before the welfare reforms, when their jobs were more focused on transactions. Staff moved into new roles based on expressions of interest, subject to management approval. Some of those staff need more support to be fully effective in their new roles.
- “I regularly work through my lunch break to see clients who need to start work the next day.”*
- Case manager**
- 4.11 Staff need this support because the new work-focused case management model is about engagement, problem-solving, and support, rather than service coordination and transacting benefit payments. Work-focused case management staff have ongoing relationships with clients to get them ready for employment.
- 4.12 Effective engagement underpins all stages of the model. It is intended to build positive client relationships. Staff are expected to demonstrate that they are open, are respectful, actively listen, and acknowledge the client’s point of view. The model (see Figure 2) has several stages:
- information gathering and analysing;
 - planning and problem solving;
 - facilitation, reviewing, and planning; and
 - exit planning and support.²⁰
- 4.13 Some staff in the Ministry worked in case management roles before, so for them the change is not as great. However, even those staff are working with new groups of clients in new ways. Overall, we recognise the extent of the change this has meant for many Work and Income staff, and it is still early days in building

²⁰ Some clients will move to a different benefit or choose not to receive income support from Work and Income.

capability. We also recognise that the shift to working intensively with clients who already depend long term on a benefit is a challenge.

- 4.14 The rest of this Part describes some of the barriers to front-line case management staff being more efficient and effective. Mostly, the Ministry has plans to address the problems we found, and we include details of those plans where relevant.

Building case management capability through coaching and training

The Ministry knows what new skills its staff need and has started to develop its practice standards for case managers.

- 4.15 The Ministry trains its staff well in technical matters, and there are many layers of support and checking of calculations. This is to try to ensure that payments are correct – no more and no less than the beneficiaries' entitlements. Our work²¹ raised no concerns about the capability of case management staff in processing beneficiaries' payments.
- “Right date, right rate, right client, and right benefit.”*
- Work and Income staff on paying beneficiaries**
- 4.16 Unsurprisingly, because it is newer, we found significant, unintentional variations in case management practice. This variability occurs because the Ministry has not yet made clear what it considers appropriate practice. We, and the Ministry, could see the effect in the data the Ministry collects about client outcomes.
- 4.17 Guidance on practice matters because, as we described in paragraph 4.11, the Ministry's new approach to case management requires front-line staff to be good at identifying barriers to employment and then helping clients work through them. This approach needs different skills, such as knowing how to appropriately discuss disability, mental health, and cultural matters, or how to work with resistant clients. The lack of guidance could lead to variable practice, because staff either draw from their own life experience or ask colleagues what to do. This could undermine the ability of the Ministry to measure the effect of case management.
- 4.18 For example, work-focused case managers have clients with health conditions (including mental health conditions), injuries, or disabilities. The Ministry would like these staff to be specialists in their streams – for example, by having a greater knowledge of tailored services available for this group of clients and understanding their needs better. However, the Ministry has not yet aligned its staff training and guidance to support specialisation. Many staff had received basic mental health awareness training, but not all.

- 4.19 We met some enthusiastic staff who tried hard to motivate clients in these groups, including some clients who had not worked for some time. Advocates told us they sometimes worried that over-enthusiasm was counter-productive for some clients and could make matters worse. We also met other staff who were so empathetic to these clients that they did not feel able to push the clients too hard towards employment.
- 4.20 The Ministry recognises that the lack of guidance on case management practice is having an effect on client outcomes and the client experience, and it has started to make changes.
- 4.21 In May 2013, the Ministry produced some practice guides for case managers that will provide a good base for development, when supported by training. These guides were quite new when we started our audit, and not many staff knew about them. The guides have since been rewritten and extended, and further training is planned, including a new module on mental health matters and a refresher on managing clients subject to drug testing. A new case management competency model is also in development, which will guide future investment in case manager capability.
- 4.22 The Ministry continues to prepare tools to support staff and encourage consistent practice. For example, it launched a trial of an “engagement application” in October 2014. Several staff working with younger people who receive a supported living payment will be testing the application from late 2015.
- 4.23 The Ministry has also put together a small practice review team, who observe case managers’ practice and “soft” skills. The team has identified that a coaching approach is more effective than training on practice matters. The team will advise the national office on practice development. Regional directors and trainers and service centre trainers will then train others in best practice in their regions. The Ministry told us that it intends to expand this team in the future. However, there were no firm plans in place at the time of our audit, and the practice review team had not yet submitted proposals to the National Commissioner on the next stages.
- 4.24 During our audit, we saw little evidence of the coaching culture that senior managers aspire to. Local trainers focus more on compliance matters. Coaching on case management practice is not a priority for service centre managers or trainers because of their workloads.
- 4.25 In 2012, Cabinet noted that the Ministry was working on a future workforce strategy. The strategy identified that the new service delivery model might require

new roles. The Ministry initially focused on the changes needed to the front-line case manager and work-broker roles.

- 4.26 The Ministry has now started to look at other service centre roles as the new service delivery model evolves. For example, many service centre managers are good operations managers, with good technical knowledge. However, in future, front-line staff will need more coaching and support on case management practice and “soft” skills. Job descriptions for service centre managers do not reflect this responsibility.
- 4.27 In 2014, the Ministry set up a leadership programme for service centre managers to enable them to meet the new demands placed on them. The Ministry also needs to consider how the roles of service centre trainer, service quality officers, and the new practice review team complement each other.

Using performance management to increase staff capability

The way that the Ministry supports case manager performance has not caught up with the change in role and is too focused on aspects that are easy to measure.

- 4.28 Work and Income has clear standards for tasks related to processing benefits – for example, the accuracy of calculations. The Ministry measures and checks staff against these standards, and staff get regular feedback to help them improve.
- 4.29 Staff spoke positively about the discussions they had with their managers about performance. However, they felt that the assessment had not changed since the welfare reforms. Managers agreed that there were not enough measures to assess how well case managers used “soft” skills. Therefore, discussions focused on aspects that were easier to measure, such as the number of clients leaving a case manager’s caseload because they were no longer claiming a benefit.
- 4.30 In the past, there has been inconsistent scrutiny by senior managers of certain factors that can affect the client experience. For example, the Ministry’s “queue manager” system records how long clients wait to see case managers, but only once reception staff book them in for their appointments. Queue manager displays the results on screens that staff know senior managers pay close attention to.
- 4.31 If there is a queue to book in at reception, case managers in some locations collect their clients from the queue and book them in themselves. Despite this, queues to book in can form during busy periods, especially if reception staff are scanning client documents. There is no measurement of time spent in this queue.

- 4.32 There are other less visible queues, such as work in progress. Work in progress can include applications waiting for action and work waiting for checking. The Ministry measures the quantity of work in progress, but senior managers do not give this information as much attention.
- 4.33 Senior staff agree that the current performance measures might not support the right behaviours needed to deliver the new service delivery model effectively. For example, some offices and regions have found that, when they follow the new service delivery model rigidly, other key performance indicators fell.
- 4.34 Staff in one regional office told us that they watched closely whether clients were going to “tip over” into the next benefit duration category (that is, the length of time from their first receipt of a benefit). They would then focus extra attention on those clients to prevent that happening. Although that might be good for that client, and the relevant performance indicator, we consider that this behaviour could compromise the results of trials and control groups.
- 4.35 The Ministry told us that there had been a culture of competition between the regions, fuelled by ranking performance indicators. The Ministry is trying to keep the positive benefits of this motivation. At the same time, it is changing how it assesses regional performance. Work and Income’s senior leaders are encouraging the regions to support each other in improving performance.
- 4.36 We have no reason to consider that this competitiveness has a detrimental effect on clients. In our interviews with clients, some said that they thought the Ministry’s staff were on a performance bonus based on how little money they paid to beneficiaries. We concluded that there are no measures in place to encourage such behaviour. In fact, not paying people the “full and correct” entitlement is likely to have an adverse effect on a case manager’s performance rating.
- 4.37 In our view, the Ministry needs to reconsider how it looks at case managers’ performance. For example, the Ministry could explore ways to assess the content and quality of interactions with clients, such as interviews and planning, alongside other measures, such as how many clients stopped receiving benefits.
- 4.38 This would help to address an issue evident in some of the data the Ministry holds. The issue is that, by focusing on the numbers of clients no longer claiming a benefit, staff were less likely to want to work with difficult clients. This is because difficult clients can take a lot of case management time and might not have a successful outcome. These are the clients who the Ministry designed the new service delivery model to help.

Recommendation 2

We recommend that the Ministry of Social Development develop an approach to assessing and supporting case manager performance that reflects the importance of soft skills, such as effective client engagement, as well as the technical skills that case managers need to have.

Supporting staff with guidance

Guidance for case managers is extensive, and it takes a long time for staff to become fully proficient.

- 4.39 Complicated benefit rules stem from the law and ministerial direction. Most experienced case managers we spoke with were happy with the online guidance in the Ministry's Manuals and Procedures (MAP) system. A few told us they relied on the practice guides. Other case managers told us that they found MAP difficult to navigate when they were under pressure, especially when they were with a client.
- 4.40 There is a lot of guidance. We copied the "Jobseeker Support" table of contents from MAP and pasted it into a separate document. The headings ran to 26 A4 pages. The case manager "desk file" contains links to resources that case managers might use regularly. There are more than 130 further links to other pages organised under 21 sections. This represents just a fraction of the guidance in MAP.
- 4.41 Many case managers said they would ask a colleague rather than attempt to find the relevant information in MAP. MAP is searchable. However, it is not a true "knowledge base", and it is not intuitive. Finding something requires a reasonably good understanding of where to look.
- 4.42 Along with the clunky IT applications we discuss in paragraphs 4.44-4.50, this contributes to the time it takes for a case manager to become proficient in the role. The consensus of the staff we spoke to was that it takes about two years. This might explain why the Ministry's turnover rate is greater for people with fewer than two years in the job.
- 4.43 Client advocates singled out the complexity of the guidance as one of their biggest challenges. The Ministry makes its MAP guidance freely available on its website, which is good practice. Advocates told us that the Ministry's policy guidance

"The complex guidance is our biggest challenge in trying to help clients."

Client advocates

sometimes did not accurately reflect the legislation. They suggested that staff needed more training in how the relevant legislation works as a whole. Advocates said that MAP deals with each benefit by itself and not how benefits might work together for a client.

Increasing capability and capacity by providing effective IT applications

The Ministry's IT applications are clunky, can be slow to navigate, and require entering the same information more than once. However, there are plans to reduce the number of systems in use in the short term, and the Ministry is considering further long-term improvements.

- 4.44 We talked to staff about, or sat alongside staff as they used, the IT applications needed for their jobs. We also tested the applications ourselves. The Ministry's IT team has done a good job at putting a "home screen" together from which case managers can get client records. However, case managers need to use many separate platforms and applications to get client records.
- 4.45 There are many issues with the current applications, all of which mean case managers are less effective in their roles than they could be. For example:
- Many of the applications require separate passwords, and constantly logging back in to each is frustrating.
 - There is a delay for some of the applications to load, and a case manager might need to open about eight applications during one appointment.
 - It is hard to get an overall picture of a client's information because it is split between applications.
 - Many staff have two computer screens to reduce the amount of switching back and forth between applications. This introduces the risk of incorrectly entering data because it is possible to have two different client records open.
 - Staff have to enter the same information in more than one place.
 - Staff cannot add to client "engagement logs" after three months, so they have to start a new one. This means that getting access to a client's history is time consuming.
 - The main client management application does not help case managers manage their workflow – for example, by prompting them for the next step or reminding them they have an action to take.
- 4.46 SWIFTT²² is the oldest system the Ministry has. It is used mainly to process payments to around one and a half million beneficiaries, superannuitants, and students each week. Staff like SWIFTT because it is stable and reliable.

22 SWIFTT is short for "Social Welfare Information for Tomorrow Today".

- 4.47 The Ministry will begin planning for a replacement in about five years, but will be reducing what SWIFTT is used for until it is used only to make payments. Other functions will be transferred to the Ministry's main client system. The estimated replacement cost is about \$150 million. We found some problems with the client letters that SWIFTT produces. We discuss those problems in Part 5.
- 4.48 The Ministry has had a relatively incremental approach to IT development. Until recently, it did not have a longer-term IT strategy. It has now stated its plans and targets for 2013 to 2016. These include:
- reducing the number of systems that front-line staff use and getting rid of redundant processes;
 - reducing the number of manual transactions; and
 - developing online and mobile services, and encouraging more clients to use self-service options.
- 4.49 We reviewed the Ministry's IT strategy and consider it good at a high level. It outlines where the Ministry is now and where it needs to be. We could see that it brings together all of the aspects of IT provision within Work and Income we identified as being problematic. The strategy is clearly in line with the Ministry's approach to service development, and a cross-Ministry group governs the delivery of the strategy.
- 4.50 The main IT projects for Work and Income are allowed for in the Ministry's capital plan. The plan includes retiring two computer applications and transferring their functions into another existing computer system during 2014/15. This investment should make future changes easier to achieve. The Ministry had not yet agreed funding for some further projects, and the plan notes some reprioritisation might be needed once the costs of a simplification project are known (see paragraph 4.53).

Using capacity better by simplifying administration and online services

The Ministry's simplification project presents significant opportunities to gain further administrative efficiencies so staff can spend more time with clients who need more help. The Ministry has already made some changes and is planning for more.

- 4.51 Processing transactions takes up about 60% of case managers' time and equates to more than 2250 full-time case management and other staff.

- 4.52 During our visits to regional offices and service centres, we noted that general case managers in particular were under the most pressure. General case managers usually have half an hour with a client, and the call centres book most of their appointments for them. General case managers can see 10 or 11 clients on a busy day, so they have to keep to the appointment times to prevent long waits for other clients. They also look after “walk-ins” – people who arrive without an appointment. General case managers can have a significant amount of work to do in a half-hour appointment. If they have back-to-back appointments, it can be hard to catch up on administration.
- Key fact**
- The time the Ministry spends processing transactions is equal to 2250 full-time staff.*
- 4.53 The Ministry is designing a simplification project to:
- simplify transactional services by removing unnecessary and costly work and administration tasks for front-line staff by processing some transactions online;
 - contribute to better client experiences, increased accuracy, an improved reputation, and staff satisfaction; and
 - allow front-line staff to focus on achieving return-to-work outcomes for clients.
- 4.54 The Ministry’s initial business case for the simplification project has been agreed. Work on some aspects of the simplification project is under way, such as some batch processing of transactions and removing authentication requirements on some benefit resumptions. A detailed business case is due in early 2015, which will set out the capital requirements to deliver the remainder of the project.
- 4.55 The Ministry has stated that it will face a funding shortfall in four years if the simplification project does not deliver the intended benefits.
- 4.56 The Ministry has had some success with other centralisation projects, which sped up processing times and made more time available to case managers, so the prospects are promising. For example, the Ministry now carries out authentication work (checking applications, confirming client identity, and other tasks) from two Work and Income locations: Mangere and Lower Hutt. The Ministry has plans for more centralisation before the simplification project begins.
- 4.57 The Ministry offers a number of online services, including “My Account”, where clients can view their information and make changes. The Ministry knows it has a way to go to gain the potential efficiencies of online services. For example, if a client fills in an online application form, a staff member prints out that form and then enters the information into the client management application.

- 4.58 This is partly because the Ministry does not yet have a system that can do automatic verification or authentication for most clients. Also, the complicated nature of the Ministry’s current systems makes end-to-end automatic processing difficult. However, the simplification project does have plans to implement “straight through” processing for many financial payments and reassessments. This means that clients will eventually be able to input their own information and have a “receipt” returned that shows the calculations and effect on future payments.

Working out where staff are needed

It is difficult to cover staff absences and stay true to the service delivery model. There is significant variation in the use of staff on a day-to-day basis.

- 4.59 During our audit, we saw significant differences in the use of case managers. For example, the Ministry expects work-focused case managers’ time to be protected, so they do only work-focused client activities. However, in some places, work-focused case managers also worked on reception or worked on general case management during busy periods.
- 4.60 This meant work-focused case managers spent differing amounts of time on their client caseloads. Those who had their time protected spent more time with clients, following up client actions, and rebooking missed appointments. They had more time to work with those clients who were showing some resistance to engaging with job-focused activities. Case managers who can manage their caseloads are more likely to achieve better outcomes for their clients.
- 4.61 Overall, the Ministry’s rates of staff turnover are low. However, some centres have much higher rates. Service centre managers can spend much time rebooking appointments because of staff absences. The overriding priority in the centres we visited was to ensure that clients saw a case manager and did not have to wait in queues for too long. This often meant compromising the model for staff use, such as by not protecting work-focused case manager time or cancelling staff training sessions.
- 4.62 Staff in service centres where turnover is high are likely to have been employed by the Ministry for shorter durations and have less experience. The Ministry is aware that the turnover rate for staff with fewer than two years’ service is much higher than it is throughout the Work and Income workforce as a whole.

“It can be hard to keep track of my caseload.”

Case manager

Matching the streaming rules and staffing allocations

The Ministry has more to do to match staff resources to demand.

- 4.63 When we started our audit, the Ministry told us that it was still working on getting its caseloads and streaming rules right. The Ministry's streaming tool allocates clients to staff based on a complicated set of rules. During our audit, we noted some teething problems and unintentional effects. For example:
- The streaming tool did not work effectively for small sites.
 - In some locations, clients who needed and qualified for intensive case management received a less intensive service because there was no room for them.
 - Conversely, in some locations, clients with lesser needs received higher intensity services because work-focused case managers had the capacity to work with them.
 - The streaming tool assigns clients in the control group to any of the other available services, which might not be a significantly different service. For example, a person with a health condition selected for the control group could end up in general work-focused case management instead of the appropriate work-focused case management stream (health conditions, injury, or disability). There is little difference between the services offered in those two streams.
- 4.64 The Ministry has more work to do to match staff resources to demand. The complicated rules that stream clients to case managers do not inform the calculations that work out how many case managers should be in a particular service centre. This is leading to unequal access to services in some locations.
- 4.65 The Ministry has started to work on an approach that looks at the geographical catchment of its smaller service centres, taking into consideration local labour market conditions. It will then decide which streams of case management to put in place. One case manager might work across the streams.
- 4.66 We can see the logic in the approach, and it will help the Ministry set priorities for its resources. However, the Ministry would need to train and support staff to be specialists in more than one stream, given the differing needs of clients. If staff are not trained in this way, the service can only be a general one.

5

Measuring early results and learning from them

- 5.1 In this Part, we discuss:
- the analysis of results from the case management approach trials;
 - some findings from current performance data;
 - some concerns about isolating the effect of work-focused case management; and
 - whether the Ministry has good ways to measure results and can learn from them.

Summary of our findings

- 5.2 Early results from the trials of intensive case management services are mixed. The results for sole parents are good. Most service centres showed at least a small improvement in outcomes for clients from work-focused case management, but only a few service centres can show that the improvement is statistically significant.
- 5.3 The Ministry is doing well to help people to find work, and is meeting its targets for the time those people stay in work.
- 5.4 The Ministry is finding it hard to meet its performance standard for client engagement. Clients missing appointments are a major contributing factor, and the Ministry needs to act to improve appointment attendance rates.
- 5.5 The Ministry has a robust method for evaluating the effect of work-focused case management. However, it has not yet looked in detail at how operational and practice variations between sites affect results.
- 5.6 Mostly, the Ministry knows about the reasons for the mixed results and has reasonably advanced plans to do something about most of them. The Ministry has plenty of good information to act on, and it is getting better at using that information consistently.

Analysing the results of the case management approach trials

The Ministry's analysis shows that both work-search support and work-focused case management can make a difference, in the right circumstances.

- 5.7 In February 2014, the Ministry analysed the results of trials of work-focused case management and work-search support. The trials took place between October 2012 and July 2013. Case management includes a one-to-one relationship with a case manager as well as employment services, such as employment subsidies.

- 5.8 This analysis produced useful information about the cost-effectiveness of each approach and the client groups for whom that approach is most effective. The assessment included an analysis of the return on investment for each approach and a detailed analysis based on “amenability scores” of different groups. Using this information should enable the Ministry to target its resources towards the client groups that will get the best results.

What the analysis showed

- 5.9 Early results showed that work-focused case management was effective in supporting sole parents with part-time work obligations, achieving an average reduction of 13 days in benefit duration after 44 weeks in the service. Consequently, the Ministry added 18,000 sole-parent clients to the work-focused case management stream.
- Key fact**
Early results showed sole parents succeeded in getting part-time work more quickly.
- 5.10 After 32 weeks, the main effect of both work-focused case management and work-search support was that clients’ time receiving a benefit was reduced. Compared to general case management, clients in the work-focused case management stream were receiving a benefit for a shorter duration – 13 days, or 5.3%, less.²³ The effect of work-search support was less, at nine days.²⁴ Neither service reduced the likelihood of clients returning to a benefit.
- 5.11 Work-focused case management continued to increase the likelihood of clients no longer receiving a benefit, up to the end of the analysis period. However, the work-search support service made no difference once clients had been in that service for more than 35 weeks.
- 5.12 The analysis also concluded that:
- Both work-focused case management and work-search support are cost-effective interventions. Work-search support “breaks even” (the point at which savings become equal to the extra cost of that form of case management) after 24 weeks, and work-focused case management breaks even after more than a year.²⁵
 - The Ministry expects work-focused case management to break even after one to one-and-a-half years.
 - Work-focused case management and work-search support are more effective for some clients than others, based on amenability scoring.

23 Subject to a margin of error of +/- 0.5 weeks at a 95% confidence level.

24 Subject to a margin of error of +/- 0.4 weeks at a 95% confidence level.

25 Work and Income cost savings only – not wider costs.

- The break-even period for both is shorter than for other employment services and programmes.
- Work-focused case management was also effective in supporting sole parents with part-time work obligations, achieving an average of 13 fewer days on the benefit.

5.13 The Ministry is using the results of the analysis to refine its streaming rules – for example, by increasing the number of sole parents allocated to a work-focused case manager.

The analysis has limits

- 5.14 The Ministry recognised that there were limits to the analysis. In particular:
- The pilot sites might not be representative.
 - The analysis compared work-focused case management and support to general case management, rather than to the model it replaced.
 - The reduced time on benefit might not translate to an increase in employment.
 - The analysis did not examine whether resources invested in these more intensive approaches came at the expense of other clients.
 - The analysis of costs and benefits did not include broader fiscal and social costs.
- 5.15 When we started our audit, the February 2014 report was the only analysis available, although another was anticipated towards the end of the year. The Ministry is incorporating evaluation into its business processes, but it is taking some time to turn the evidence into reports.

Supporting people after they move into work

The Ministry is meeting the targets it has agreed with the Government for the time former clients stay in work after leaving Jobseeker Support.

- 5.16 The Ministry produces much performance data. Its performance framework has 65 targets spread between five results areas. We looked at how the Ministry is supporting people to move off a benefit or not to have to claim a benefit in the first place. In 2013/14, there was a slight decline in the proportion of clients who get work before requiring a benefit²⁶ (from 39.7% in the previous year to 37%).
- 5.17 The number of people who had been claiming a job-seekers benefit continuously for more than 12 months fell from 74,599 at June 2013 to 67,531 at June 2014 (see Figure 8).

26 People wanting to apply for some kinds of benefits might have to undertake some pre-benefit activities first (such as attending a seminar). This measure counts those people who do pre-benefit activities but get a job, so do not need to claim a benefit after all.

- 5.18 We also looked at the Ministry's performance in "Improving Employment Outcomes – Service Provision". The Ministry established a base line for some new performance standards in 2013/14. The new standards include the proportion of people who participate in work-focused interventions and other measures relating to the time former clients remain off a benefit after getting a job.
- 5.19 At the end of June 2014, the Ministry had met or exceeded its performance standard in six out of nine areas and only narrowly missed the other three.
- 5.20 During our audit, we asked staff about how they supported people through the transition from receiving a benefit to working. People new or newly returning to the workforce can often face early barriers to staying in work. If they do not receive support, they can quickly return to receiving a benefit.
- 5.21 The Ministry refers some clients to its existing "in-work support" service (provided by third parties). However, this service is not available to all clients because not enough places are funded. Many others have less formal support. Some case managers keep in touch with clients, but this is not an official policy. Others put the client into "benefit suspension". This enables a quicker return to receiving a benefit if the job does not work out, but could delay clients being able to claim working tax credits. This is also not official policy.
- 5.22 The Ministry has advanced plans to trial additional in-work support services in February 2015 for up to 6000 clients who move most often between working and needing to receive a benefit. The Ministry's evidence suggests that there are sound investment reasons in helping to sustain people's employment. If people stay employed for more than two years, they have a 94% chance of remaining without benefit support.

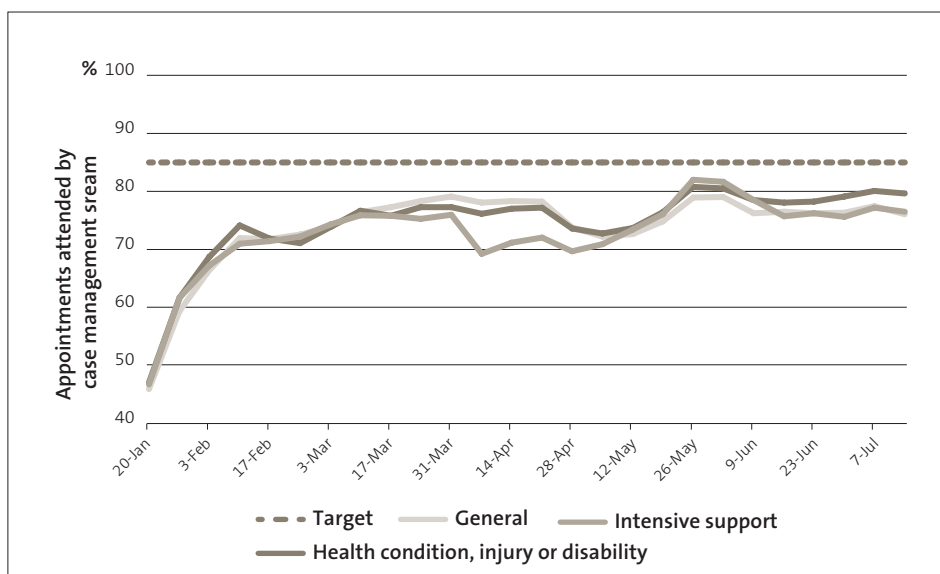
Keeping clients engaged with case management

The Ministry is finding it hard to meet its performance standards for client engagement. Clients missing appointments are a major contributing factor, and the Ministry needs to improve the appointment attendance rates.

- 5.23 The Ministry produces a regular, internal performance summary. This contains measures – for each of the case management streams – on:
- client engagements;
 - client appointments;
 - client outcomes; and
 - client wait times.
- 5.24 The Ministry expects that at least 95% of clients in work-focused case management will have contact with their case manager at least once every 28

days. Figure 6 shows that, in the six months leading up to July 2014, the Ministry was finding it hard to meet its target.

Figure 6
Percentage of work-focused case-managed clients with at least one contact in the previous 28 days



Source: Ministry of Social Development.

- 5.25 The performance data for appointments suggests why the Ministry might be struggling with this target. Figure 7 shows the percentage of scheduled appointments for work-focused interviews that clients did not attend. The average figure for all regions is about 24%. This equates to about 21,000 appointments every four weeks.
- 5.26 The Ministry does not assign a cost to these missed appointments because staff can use the time to catch up on other work or help in general case management. However, in 2013/14, the Ministry invested \$126 million to provide work-focused case management for just over 84,000 clients. If clients do not turn up for their appointments, it is a lost opportunity for the Ministry to help them get a good outcome. This could have a flow-on monetary effect, such as the client remaining on a benefit

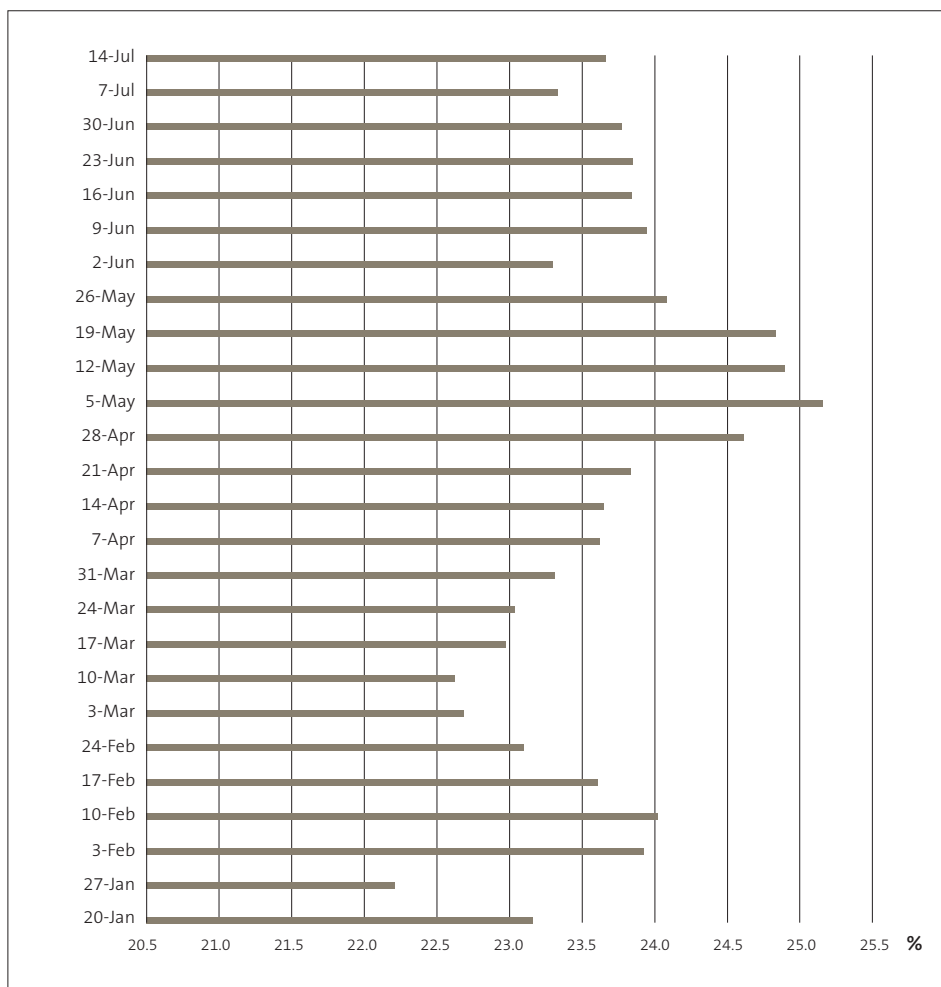
Key fact

Clients do not turn up for around 24% of appointments.

for a longer period. As noted in paragraph 3.12, time spent on one-to-one case management correlates most closely with improved outcomes.

- 5.27 The Ministry encourages its case managers to increase the contact they have with clients, but the number of “no shows” for appointments remains stubbornly high. This suggests a wider issue that case managers alone will not be able to resolve.

Figure 7
Percentage of scheduled work-focused appointments that clients did not attend, January to July 2014



Source: Ministry of Social Development.

- 5.28 We reviewed the files of several clients, some of whom regularly missed appointments. The Ministry has powers to apply sanctions to clients who do not meet their obligations, which includes attending scheduled appointments. We saw letters warning people that they were at risk of a sanction. In each instance, the person contacted the Ministry, and the Ministry lifted the sanction.
- 5.29 The legislation is clear that clients must carry out some recompliance activity to have a sanction lifted. Sometimes the client met this requirement by making another appointment, but in some instances the client failed to attend that appointment too.
- 5.30 Staff told us they found it hard to manage people who continually missed appointments but did just enough to prevent having their benefits stopped. Staff cited the law, which says that, if there is doubt, the decision should be in favour of the client. However, we did not find anything to this effect in the legislation, only in the Ministry's guidance for staff.
- 5.31 In our view, this is a matter that the Ministry's senior leaders should pay more attention to. Client obligations are an important part of the welfare reforms. Because no region has a rate of less than 20% of "no shows", we consider that the cause is systemic and not something that will change by encouraging staff. We heard that the Ministry has other powers under the law that staff are finding challenging to use in practice, such as compulsory drug testing for some job seekers or requiring some parents to meet social obligations.
- 5.32 This is not an easy aspect of the case manager role. We consider this is a good time to review whether staff have enough management support to work appropriately with clients who find it hard to meet their obligations.
- 5.33 We know that staff would rather encourage clients to attend appointments than apply sanctions. We consider that the Ministry should investigate how it can use innovation to reduce missed appointments. For example, clients told us that they would appreciate text reminders of their appointments, and this happens routinely in many other organisations with appointment systems.
- 5.34 The Ministry told us that text-messaging capability was on the list of projects IT services were working on as a matter of priority. Once in place, that capability would partly address our third recommendation.

Recommendation 3

We recommend that the Ministry of Social Development reduce the number of appointments that clients miss by:

- improving how it communicates with clients about appointments;
 - encouraging other innovation to increase the percentage of appointments kept;
 - reviewing the ways in which clients can comply again after failing to attend an appointment; and
 - increasing management support and coaching for staff to help them manage clients who routinely miss appointments.
-

Measuring the effect of work-focused case management

The Ministry has put in place a robust method to evaluate the difference that work-focused case management and work-search support are making for clients. Most service centres are showing at least a small improvement, although some increases are too small to be statistically significant. The Ministry has not yet identified the extent to which variations in practice influence the effectiveness of the service.

- 5.35 The third set of data we looked at was the comparison between the outcomes achieved for people in the work-focused case management stream and those placed in the control group. Nationally, there is a statistically significant improvement in the outcomes for people who receive both a benefit and work-focused case management, compared to the outcomes achieved for the control group.²⁷ Locally, most of the sites show at least a small improvement in outcomes (people moving off their benefit sooner).
- 5.36 This is promising, but our analysis of the Ministry's data shows that only nine of 90 service centres show a statistically significant positive change. Partly, this is because these centres are larger sites, with more people participating, so it is possible to be more certain about the significance of the changes being observed.
- 5.37 Two centres are close to Auckland (Glenfield and Tamaki), and three are in the greater Wellington region (Wellington, Wanuiomata, and Otaki). The remainder are in Linwood (Christchurch), Greerton (Tauranga), Kamo (Whangarei), and Nelson. None of these areas is rural, and all have good access to one or more main centres of employment.
- 5.38 For clients with a health condition, injury, or disability, the results in the original 23 trial regions are less positive. The difference at a national level for this stream is

²⁷ This was a snapshot of cumulative effects taken at 490 days into the new service delivery model.

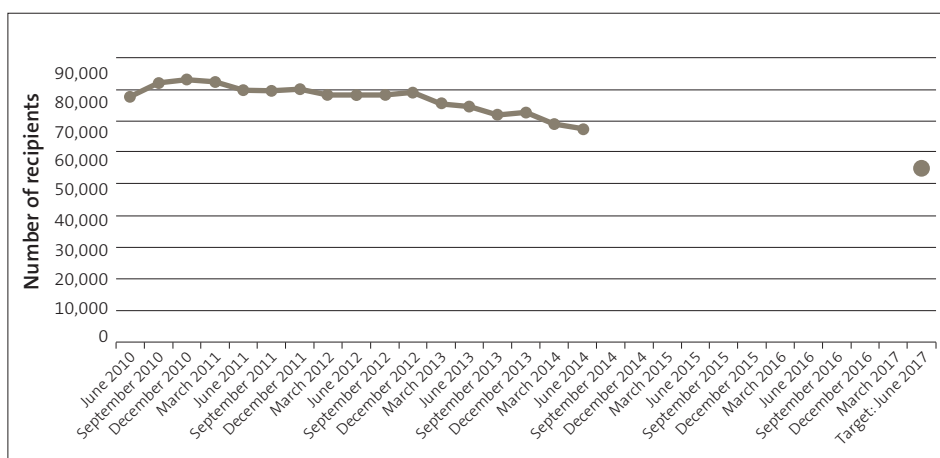
smaller than for people in the work-focused case management stream, and only two sites – Glenview (Hamilton) and Naenae (Lower Hutt) – show a statistically significant positive effect. There is no positive effect at nine of the 23 sites.

- 5.39 We consider that it is too early to draw firm conclusions from these early results. However, the Ministry has put in place a robust method to evaluate the difference work-focused case management and work-search support are making for clients.
- 5.40 The Ministry has been using the new case management approach for only a year. Some variation was to be expected until the new methods become routine. The Ministry has not yet identified the extent to which unintended variations in practice (see Part 4) influence the effectiveness of the service. It intends to monitor continuously how future changes to practice or service design affect the outcomes for clients.

Delivering Better Public Services results

- 5.41 In 2012, as part of its Better Public Services programme, the Government set targets for 10 aspects of public services. The Ministry has a target to:
 - Reduce the number of people continuously receiving Jobseeker Support for more than twelve months by 30 per cent, from 78,000 in April 2012 to 55,000 by June 2017.*
- 5.42 At the end of June 2014, the number of clients in this category had reduced to 67,531. The trajectory since June 2010 and the June 2017 target are shown in Figure 8.

Figure 8
Number of working-age clients receiving Jobseeker Support benefit continuously for more than 12 months, June 2010 to June 2014



Source: Ministry of Social Development.

- 5.43 We cannot draw any conclusions about whether this performance puts the Ministry on track to deliver its 2017 target. This is mostly because we do not know whether it will become progressively harder for the Ministry to achieve further reductions, and the Ministry does not publish quarterly interim targets.
- 5.44 For example, although the number of people on Jobseeker Support has been declining at a faster rate than the 2012 valuation projected, more people are moving out of the “work ready” categories and into other categories with lesser, or no, work obligations.

Monitoring changes in the valuation of the welfare system

- 5.45 The valuation is producing some useful data and insights, but it is still developing. In 2011, the Ministry and the Treasury commissioned the baseline valuation of the welfare system’s future costs. The baseline figure was \$78.1 billion as at 30 June 2011.
- 5.46 By 30 June 2012, the valuation of future liabilities had increased to \$86.8 billion. Some factors had increased and some had decreased, adding a net \$8.5 billion.
- 5.47 Of the factors that increased, the valuation showed that \$13.4 billion was because of changes in the discount rate²⁸ and increases in inflation. In the 2012 report, the actuaries said:
- Changes to inflation and discounting assumptions will have a significant impact on the valuation figures from year to year. However, these are outside the control of [the Ministry]. For this reason we separate the change in the valuation attributable to these items from other impacts to the valuation.*
- 5.48 The actuaries reported that predicted costs reduced by \$3 billion, mainly because of a lower number of clients than expected. The result was also partly attributable to the mix of clients receiving a benefit. A main contributor to this was thought to be the probable effect of policy and operational changes related to earlier welfare reforms in September 2010.
- 5.49 The June 2013 annual valuation is the most recent. It includes the period since the first two stages of welfare reforms and the early trials of work-focused case management, including:
- improving training and education for young people aged 16 or 17, young parents aged 16 to 18, and youth not engaged in employment or training, from August 2012;
 - the new work obligations for some clients, including sole parents with dependent children between 5 and 13 years old, from October 2012; and
 - trials of the new service delivery model in 23 service centres.

28 Accountants use discounted cash flows to estimate future purchasing power. Decreases in the discount rate means it becomes more expensive to pay for something later, because the value of money decreases over time.

- 5.50 The Ministry expected that the future liability would decrease from \$86.8 billion as at 30 June 2012 to \$83.9 billion as at 30 June 2013, based on 2012 forecasts. The actual future liability as at 30 June 2013 was \$76.5 billion, or \$7.4 billion lower than expected.
- 5.51 Of the \$7.4 billion, \$1.8 billion was because of a lower number of clients than expected. This was mainly because lower than expected numbers claimed Unemployment, Domestic Purposes, and Widow's Benefits (all three benefits now fall under the Jobseeker category). The actuaries considered that "policy and operational changes probably contributed to this reduction in [future] liability – in particular, the revised work requirements in the October 2012 reforms and the piloting of the new service delivery model".
- 5.52 The investment approach is producing some useful data and insights, but it is still developing. The actuaries note that, to their knowledge, the application of an investment approach to a social welfare system is a world first.

Key fact

The 2013 valuation of welfare system future liabilities was \$76.5 billion, down from \$78.1 billion in 2011.

Using results to inform decision-making

The Ministry has a good range of methods to collect and analyse information, and was able to explain the mixed results we found. It had reasonably advanced plans to do something about most of them.

- 5.53 Based on our overall findings in this Part, we concluded that the Ministry is well placed to measure the results arising from the changes it has made.
- 5.54 The Ministry has changed the way in which information and data is analysed. As well as building its analytical capacity within the national office, it has strengthened the arrangements for analysis in the regional offices. The new arrangements are leading to greater consistency of reporting, which in turn enables better analysis. This means that the Ministry is able to make comparisons and those comparisons give good insights as to why results can be different between the regions.
- 5.55 The Ministry has worked hard to build evaluation into the new model – for example, the annual valuations. It is constantly learning about what is working well, and not so well, by using control groups and trials to measure outcomes and effects.

- 5.56 The Ministry's performance in this area so far is good. It is building the analytical capability and capacity of its Knowledge and Insights team. Analytics is complex, and some of the techniques in use – for example, predictive analytics – need specialist skills that are scarce.
- 5.57 The Ministry's investment strategy for 2014/15 brings together what it has learned from the trials and the first year of operating the new service delivery model. This strategy describes the Ministry's plans, at a high level, for the changes it will make to operational services. The investment strategy addresses the challenges the Ministry has identified, and the opportunity for extending successful activities. The challenges include many of the matters we have raised in this report.
- 5.58 We saw some of the strategy addressed in new business cases that had been prepared and submitted for approval to the Work and Income Board. These business cases included costs, expected benefits, timings, and risks.
- 5.59 The Ministry requires that business cases and project designs include impact measures. For example, the Ministry has identified three high-level outcomes that it seeks from the trials it is planning for 2014/15. These outcomes are to:
- improve client outcomes, by clients becoming independent or less dependent on benefits;
 - generate savings, by producing a positive return on investment by June 2017; and
 - reduce the expected future cost of benefits paid.
- 5.60 Identifying intended outcomes in advance is good practice, because it means that the Ministry is in a good position to analyse the results of trials. It is likely that some of the trials might not produce the anticipated benefits, but this approach gives the Ministry good information on which activities do not provide a good return before it invests more heavily.

6

Clients' experiences and perspectives

- 6.1 In this Part, we bring together our observations of aspects of the Ministry's client services, alongside:
- case-managed clients' views from the 11 in-depth interviews²⁹ we carried out;
 - relevant findings from our companion audit on how the Ministry deals with complaints; and
 - views from organisations that provide advocacy services for beneficiaries.

- 6.2 Case-managed clients have a range of goals from their interactions with the Ministry. For them, effective case management means someone listening to their needs, considering their goals and any limits, and then tailoring services and support to meet those needs.

Summary of our findings

- 6.3 Work and Income front-line staff get most aspects of service delivery right most of the time. When something goes wrong, staff and managers try to fix problems. However, they are not always good at letting clients know the outcome. A few people have lost trust and confidence in the Ministry. The Ministry could do more to learn from these experiences.

Getting most things right, most of the time

- 6.4 Work and Income surveys about 18,000 people each year, including working-age beneficiaries and Senior Services clients. The survey shows that the overall client satisfaction rate has remained stable at about 85% since 2009.
- 6.5 The Acting Deputy Chief Executive of Work and Income provided figures that show that Work and Income carries out 1.77 million face-to-face appointments a year and receives 125,000 telephone calls each week. In 2013, the Ministry received 8000 complaints. Our audit on how the Ministry deals with complaints suggested some potential under-recording of complaints. However, as a percentage of the transactions carried out by the Ministry, the level of complaints is not likely to be much more than the 0.5% reported by the Ministry.
- 6.6 During 2013/14, the Ministry calculated 90.5% of payments correctly the first time, slightly exceeding the performance standard it agreed with the Government.
- 6.7 We interviewed 11 case-managed clients. We based our interview questions on Work and Income's service standards (see Appendix 4). In our interviews, people had more positive comments than negative ones. Advocates told us that the move to one-to-one case management is proving positive for clients.

- 6.8 Those who have had positive experiences with case managers said that they feel supported. They feel that the Ministry has given them the confidence and support they need to get back into the workforce. This usually involves more than just financial support, and some case-managed clients said they felt emotionally supported by the Ministry as well.
- 6.9 Clients acknowledge that case managers are people and therefore variable in their service delivery. When case managers are good, clients described them as:
- helpful;
 - friendly;
 - caring;
 - happy to see their clients; and
 - understanding and empathetic about the client's circumstances.
- 6.10 Some clients said their experiences with the Ministry were far better than they could have imagined. Several people spoke of being reluctant to visit a service centre because of how they thought the staff might treat or judge them. Once there, they felt welcome and said case managers showed empathy for their situation.
- 6.11 Other clients said the help they had received from Work and Income got them out of a bad situation. They said a combination of pride, embarrassment, and stories from friends and family had kept them away.
- 6.12 Clients found the Ministry's service at least acceptable in helping them get, and telling them about, entitlements. Clients said that the Ministry adequately explains the benefits they receive so that they understand their rights and obligations. A few thought the Ministry was less than forthcoming on additional allowances.
- 6.13 Clients said that they relied on their case manager for information. Communicating face to face was important for clients, and case managers gave clients information in a way they understood. Few clients reported using the Ministry's website, which presents something of a challenge to the Ministry as it moves to more online services.

"She understood that it wasn't my fault. I was pleasantly surprised at the way I was treated."

Client

"The website is hopeless, I looked and looked, they don't want you to find information."

Client

- 6.14 Clients commented favourably on the appointments system and local initiatives to prevent clients having to wait. For example, in one centre, staff booked in clients without appointments at a separate desk. This meant that those with appointments could make their appointments on time, without becoming stuck in the queue. A few clients commented that the system could be a bit unreliable, but this was not a major theme of the feedback we received.
- 6.15 Some clients said the Ministry liaised well with other agencies, and felt this benefited them, by removing some of the administrative “hassle”.

Putting it right when things go wrong

- 6.16 In our survey of people who had complained about Work and Income,³⁰ most people said that the Ministry had resolved their complaint. Many also said that the Ministry’s final decision about the complaint was fair. Most of those surveyed felt that it had been worthwhile complaining to the Ministry.
- 6.17 The client advocates we spoke with told us that the Ministry had become better at listening to them during the last 10 years or so. There had been many cases during the years where policy conflicted with legislation, and many cases used to go to an appeal process. More recently, the Ministry has realised that, if advocates were raising an issue about legislation, the issue probably warranted looking at.
- 6.18 Advocates said that regional office staff are responsive and will resolve matters when they can. The Ministry also tries to work with advocates to resolve serious matters. It tries to do this so that clients do not have to ask for a “review of decision” through the Benefits Review Committee (the Committee) process. The Committee is made up of three people who had no involvement with the original decision. One will be a person from the community, appointed by the Minister for Social Development and Employment.
- 6.19 In 2013/14, around 1350 cases advanced to the Committee stage, with around 3400 resolved at an earlier stage. The Committee found in favour of the client on 258 occasions. Of those, in 149 cases the original decision was overturned. In a further 109 cases, the original decision was varied.
- 6.20 Staff in the offices told us that the culture about dealing with complaints was changing. For example, one staff member told us that in their office, they were trying to stand back, not be defensive, and ask themselves: “Did we do the right thing here?” Some staff were also sharing what they learned from clients’ complaints in their weekly briefing sessions.

³⁰ See our earlier 2014 report *Ministry of Social Development: How it deals with complaints*, available on our website at www.oag.govt.nz.

Current matters raised by clients and their advocates

- 6.21 Advocates and clients raised a few matters with us that are beyond the scope of our audit, because they concern the decisions and policies of the Government. We have already discussed some other aspects of operational practice earlier in this report. We discuss the rest in the following paragraphs.

Clarity on entitlements and allowances

- 6.22 A few people felt that the Ministry does not always tell them about all the support for which they might be eligible. Some of those said they thought staff had incentives to minimise the amounts that clients claim, although we found no evidence to support this perception.
- "You only know what they choose to tell you."*
- Client**
- 6.23 For some clients, improving the Ministry's website so that they can check the Ministry's figures would help with transparency. The website does allow some checking of some allowances, but the Ministry is currently unable to provide a full range of calculators. This is because some of the calculations have so many variables – it would be easy for clients to end up with the wrong result.
- 6.24 However, several people said they would not use the website or did not have access to a computer. The Ministry might need to look at other ways of communicating sometimes complicated calculations to those people.
- 6.25 One opportunity for improvement is the letters the Ministry sends out to beneficiaries when they have a change in circumstances. We found some of the letters to be inadequate. The letters are standard letters that lack any personalisation. The ageing SWIFTT system produces the letters.
- 6.26 Although SWIFTT is reliable, it produces poor letters. The letters we saw sometimes do not contain enough information for clients and can only add to the sense that the Ministry does not communicate well about entitlements. The typeface looks like an old-fashioned computer print-out, and the Ministry is also obligated to write to clients each and every time their circumstances change, to inform the client of the change and their right to ask for a review. This can lead to multiple letters being sent out, sometimes for very small changes to payments. Clients say that this makes them feel like a machine is making decisions about them, rather than a person.
- 6.27 The Ministry is well aware of the short-comings of the system-generated letters. It put in a significant amount of work before the welfare reforms to try to improve the letters, but is hampered by system constraints. The Ministry considers that

allowing staff to personalise letters would increase the risk that case managers might unintentionally overstep the law – for example, by inadvertently creating ambiguity in letters.

- 6.28 We saw other letters to clients to inform them of obligation failures. In our view, these letters do not contain all the information that the legislation requires them to have.
- 6.29 In our view, if the Ministry is to keep using SWIFTT for at least another five years, then it needs to give urgent attention to the letters it generates and sends out to clients.

Recommendation 4

We recommend that the Ministry of Social Development include full and clear financial information in suitably worded letters to clients, including letters sent after a change in a client's circumstances.

The balance between fraud prevention and building trust

- 6.30 Work and Income correctly focuses on detecting fraud. This is to the benefit of all taxpayers and society more broadly. Many people would expect nothing less. However, some clients said that they felt staff considered them untrustworthy and questioned them unnecessarily. These feelings affect client trust and confidence, and clients said they often felt that they are a problem, rather than an individual eligible to entitlements because of their personal circumstances.

Privacy

- 6.31 Clients in smaller service centres said that “everyone knows your business”. Work and Income centres have good accessibility, but also high visibility, in the community. Many Work and Income service centres are centrally located, and people feel uncomfortable entering the service centre.

“There’s no privacy, everyone can see you going in, it broadcasts that you are on a benefit, destitute.”

Client

These clients said that this makes them feel ashamed, embarrassed, and awkward when interacting with staff. They said that people who know them might be more likely to judge them negatively for needing financial support.

- 6.32 Privacy issues also arise in this context, because clients said that staff have access to their records, including health and employment history. This can feel compromising to some clients.

6.33 Privacy of information is a matter for some clients who said that the open-plan design of service centres can make them feel uncomfortable about disclosing personal information. During our audit, we saw staff trying to minimise this effect. For example, they played radios at a low volume to make it harder to overhear conversations or spoke quietly so clients would talk quietly too.

Trust and confidence

6.34 When a client's relationship with a case manager is poor, or they feel unfairly treated, they report "digging their heels in" or avoiding their case manager altogether. They also said they felt bullied and intimidated.

6.35 When case managers and clients do not have a good relationship, clients describe them as:

- rude and impatient;
- intimidating; and
- demanding and dictatorial.

6.36 Most complaints about Work and Income are about staff attitudes (49% of the complaints received,³¹ or about 3920 complaints³²).

6.37 Clients in distress are more likely to perceive a power imbalance between them and staff. Clients told us that this affects how effective they consider their case management to be. People spoke to us about feeling frustrated, angry, ashamed, embarrassed, and sometimes desperate. They worried about other people thinking they were a "bludger", and some saw Work and Income as their last resort.

6.38 Helping staff to understand clients' emotional responses, as well as assessing their need for financial support, is an important part of a developing case management practice. We have already commented favourably on the Ministry's practice guides and see these as being a sound basis for further training.

6.39 Figure 9 summarises the type of improvements the clients we interviewed would like to see. We have covered most of these in the report, and they are mainly practical in nature. We consider that giving direct dial numbers for case managers would be too disruptive, because they would be mostly with other clients. However, direct email contact is something that the Ministry might wish to consider.

31 In our survey of complainants.

32 We reached this figure by taking the 49% from our survey and applying it to the Ministry's reported figure for total complainants.

Figure 9
List of improvements suggested by clients we interviewed

Category	Suggested improvement
Appointment booking	<p>Clients would like certainty that an appointment is confirmed, especially those who have transport difficulties or high transport costs.</p> <p>Provide a list of documents and items needed for an appointment (for example, birth certificate, IRD number, and bank account details).</p>
Communication	<p>Email and direct phone contact with case managers.</p> <p>List entitlements and criteria for qualifying on website.</p> <p>Greater clarity about the case management process, goals, and outcomes.</p> <p>Text reminders about appointments.</p>
Entitlements	<p>Greater clarity about additional or ancillary entitlements.</p>
Case manager qualities	<p>Case managers need technical skills, but also people skills. Ability to listen and tailor solutions to people (not “one size fits all”).</p> <p>Matching case managers to people. Personal connection is key for some clients to feel that their case management is effective.</p> <p>Ability to make decisions, rather than having to get manager approval for some entitlements (which can cause delays).</p> <p>Some clients want their case manager to provide emotional support that gives them self-confidence and belief in themselves. Some case managers do this currently, and it is positive for clients who receive this type of support.</p>
Skills and aptitude	<p>Case managers have better understanding and training about disabilities, mental illness, or other illnesses, and the effect on capacity.</p>
Privacy	<p>Awareness of the effect of open-plan offices on disclosure.</p> <p>In smaller centres, case managers talk to clients about confidentiality and cross-over relationships.</p>
Other	<p>Children’s books and toys at the service centre to keep young children occupied while parents wait or during appointments.</p>

6.40 Staff from the Knowledge and Insights team told us there are plans for the Ministry to do qualitative interviews with case-managed clients for the first time this year. We consider this an important addition to the satisfaction survey and the complaints process, because it will provide first-hand information from users of the Ministry’s services.

Appendix 1

Examples of client obligations

Work obligations

Full-time work obligations

Full-time work obligations apply to those on Jobseeker Support who can work more than 30 hours a week.

Partners of those on Jobseeker Support are likely to have work obligations if they are able to work and do not have dependent children aged under 14 years.

Part-time work obligations

Part-time generally means work of at least 15 hours a week.

Part-time work obligations usually apply to:

- sole parents or caregivers with school-aged children between 5 and 13 years old and who get Sole Parent Support;
- people who get Jobseeker Support who can usually work full time but need to work fewer hours because of a temporary health condition, injury, or disability; or
- partners of those on Jobseeker Support with school-aged children between 5 and 13 years old.

Part-time work obligations may apply as a condition of getting Emergency Maintenance Allowance.

Work preparation obligations

Some people do not need to look for a job, but they do need to prepare to find work. People are likely to have work preparation obligations if they are:

- a sole parent and caregiver with dependent children under five years of age and claiming Sole Parent Support;
- getting Jobseeker Support and can usually work full time but cannot currently work because of a temporary health condition, injury, or disability; or
- partners of those on Jobseeker Support with a dependent child under five years of age.

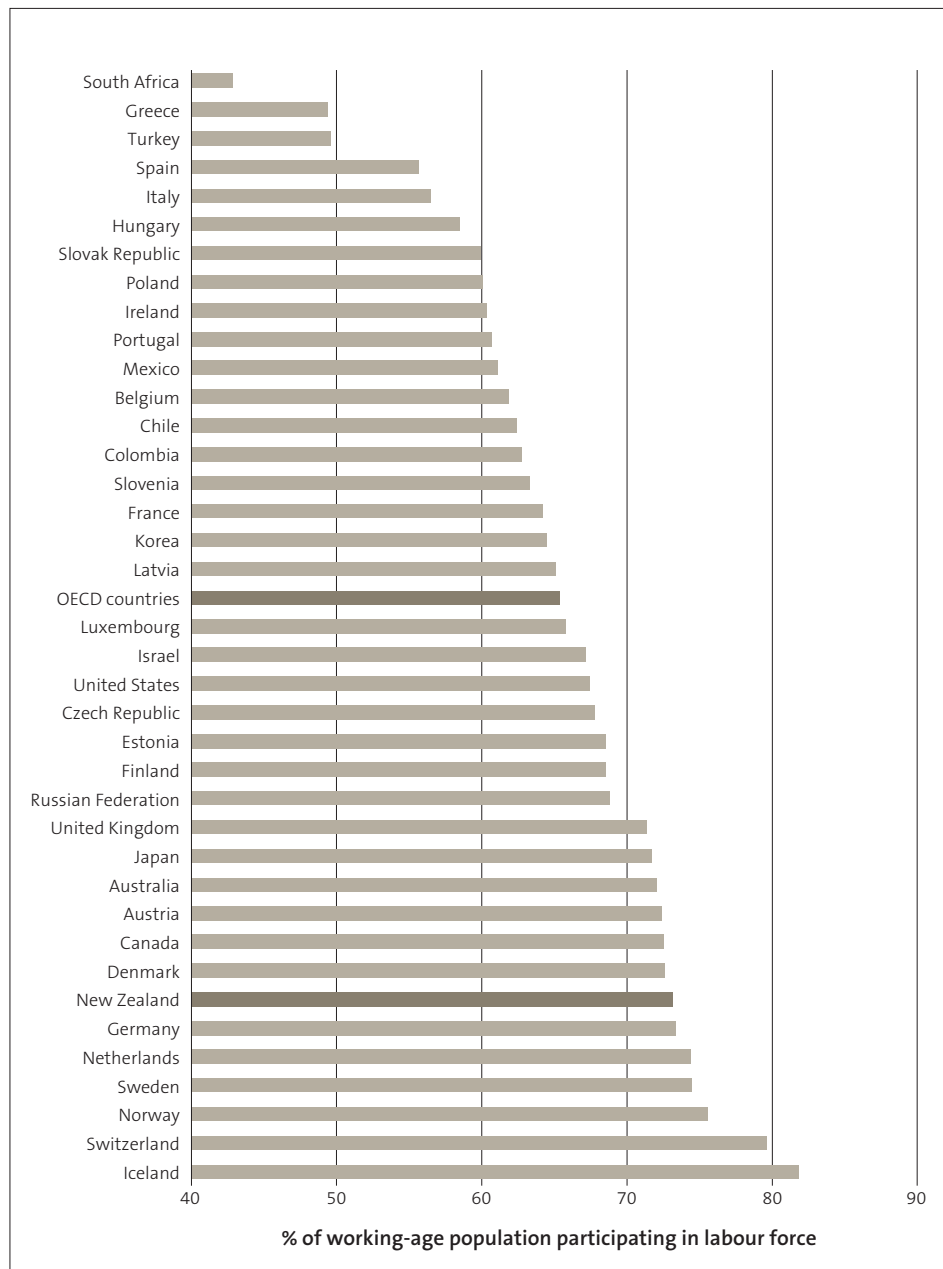
Work and Income may request some people on Supported Living Payment who have a health condition, injury, or disability to take part in an assessment to see whether they can prepare for work.

Further information on other obligations is provided on the Work and Income website.

Appendix 2

Labour force participation rates in OECD countries, 2013

This graph represents the number of people working – or ready to start work – as a percentage of the total working age population in 2013 in each OECD country.

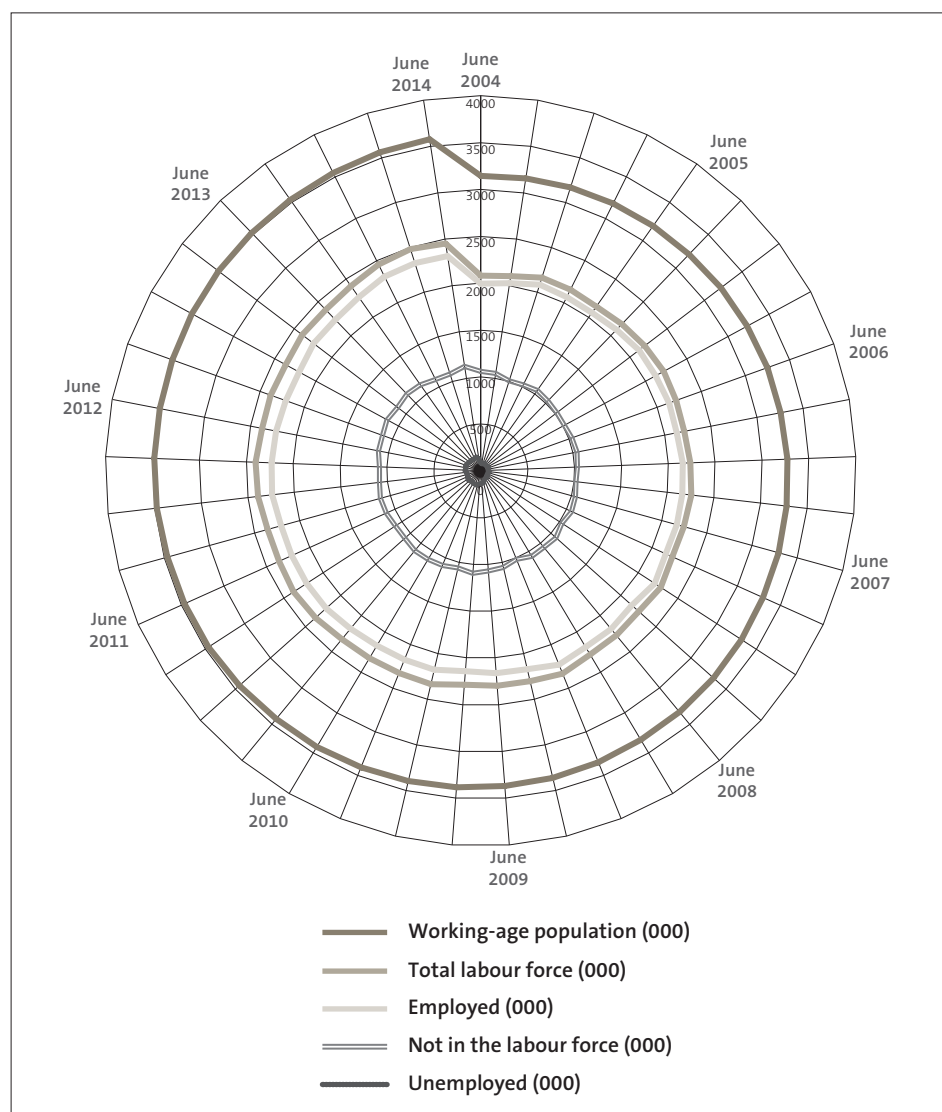


Source: OECD

Appendix 3

Labour market movements in New Zealand, 2004 to 2014

This graph shows the growth in the New Zealand working-age population, and the breakdown of that population by employment status. The graph brings the two ends of the data series lines (June 2004 and June 2014) closer together so the differences can be seen.



Source: Statistics New Zealand (not seasonally adjusted).

Appendix 4

Work and Income's service standards

Source: Statistics New Zealand (not seasonally adjusted). This diagram brings the two ends of the data series line (June 2004 and June 2014) closer together so the difference can be seen.

We will:

- give you prompt and efficient service
- let you know about our services and how we can help
- give you information that is correct and easy to understand
- give you the assistance you are entitled to
- explain your rights and obligations
- explain why we ask you to do certain things
- listen carefully so we understand what you are telling us
- be understanding and caring about your needs
- be respectful, friendly and professional in the way we serve you
- tell you who may be able to help if we can't
- treat your personal information with care.

You have the right to:

- be treated with courtesy and respect
- cultural sensitivity
- use any of our services
- be given information about the services we offer
- be given correct information and entitlements
- be listened to
- be given fair, non-judgemental service
- have any decisions we make explained to you
- have a support person there whenever you deal with us
- make a complaint or ask for a review if you disagree with us.

So that we can help, you need to:

- give us the information we need to assess your entitlements
- make sure any information you give us is correct
- tell us about any changes in your situation
- keep any agreements you have made with us
- attend and be prepared for our meetings
- tell us if you're unable to keep an appointment
- treat our staff with courtesy and respect.

Source: Ministry of Social Development.

Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

- Water and roads: Funding and management challenges
- Making the most of audit committees in the public sector
- Accident Compensation Corporation: Using a case management approach to rehabilitation
- Challenges facing licensing trusts
- Annual Report 2013/14
- Ashburton District Council: Allegations of conflicts of interest affecting decisions on a second bridge
- New Zealand Transport Agency: Maintaining and renewing the state highway network – follow-up report
- From auditor to soldier – stories of the men who served
- Accident Compensation Corporation: How it deals with complaints
- Ministry of Social Development: How it deals with complaints
- State-owned enterprises: Results of the 2012/13 audits
- Public entities' progress in implementing the Auditor-General's recommendations 2014
- The Auditor-General's strategic intentions 2014/15 to 2017/18
- Annual Plan 2014/15
- Setting up Central Agencies Shared Services
- Watercare Services Limited: Review of service performance
- Local government: Results of the 2012/13 audits

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