

# WELFARE OBLIGATIONS

Building Better Public Services



## Building confidence in the welfare system

We've been through a lot in the past three years, from the global financial crisis to the Canterbury earthquakes, and a number of people found they had to rely on the State for help. That's why we have a welfare system: a safety net to support those who genuinely need it.

Under National, the welfare system will always be there to support these people.

Our policy for welfare reform is more hands-on, focused on supporting people into work. We'll put more resources and support into helping those at greater risk of long-term welfare dependency.

We will expect more people on a benefit to be available for work and to be ready to work if they are offered a job. At the same time, we will do more to help them into work through things like childcare, training, workplace support, and access to health and disability support services.

National has already committed to helping the majority of the people within the welfare system to become work-ready. However, there is a small number who see welfare as a free ride on the taxpayer, and those who are facing a future of life-time welfare dependency.

Our welfare system is one of the best in the world. In order to continue to be able to support those who need help, we have to hold to account those who don't.

### Related policies

→ Welfare reform

*“Welfare fraud is unacceptable to hardworking taxpayers. National will ensure those who abuse the system are held to account, so it's there for those who genuinely need it.”*

## Key facts

- Taxpayers currently fund about \$8 billion in welfare payments a year.
- In 2010/11 there were 690 benefit fraud prosecutions, involving more than \$22 million.
- Additional abuse of the welfare system, valued at \$183 million, was identified by the Ministry of Social Development, but was not prosecuted as it fell below the current prosecution threshold.

### Our changes

- Increase data-matching information in benefit applications with information held by other agencies to make identifying fraudsters easier.
- Review the law to make it easier to prosecute people abusing the welfare system.
- Create a specialist anti-fraud team focused on reducing abuse of the welfare system.

### Expected results

- Save over \$200 million in taxpayers' money over four years.

## Clamping down on welfare fraud

Welfare fraud of any kind is unacceptable. It takes money away from the people who need it and undermines confidence in the welfare system.

We will get tough on benefit fraud and those who are abusing the welfare system. National will make it easier to match information in benefit applications with information held by other agencies to catch fraudsters sooner, and we will give power to authorities to actively seek to recover the money by selling such fraudsters' assets.

### How big is the problem?

This year, Work and Income increased data-matching information in benefit applications with information held by other agencies and found between six and twelve per cent of people were receiving benefit payments they were not entitled to.

There are 25,000 people currently receiving a benefit who have committed benefit fraud in the past, or who have received substantial overpayments they were not entitled to, after abusing the welfare system. Some of these people remain a high risk for future abuse of the system.

- Labour refused to do anything about this.
- National has put extra checks and controls around these high-risk people to prevent future abuses.

We have to do better to safeguard taxpayers' money and to protect the integrity of the welfare system.

### Case studies in fraud

- An Auckland man used 123 fake identities to steal \$3.4 million over two years, or \$56,000 a fortnight.
- A Wellington man fraudulently received over \$28,000 from the unemployment benefit while travelling the world, spending two years seeing the sights of Europe, Asia and Africa. His benefit was stopped only when National introduced our 2010 Future Focus reforms, which require all people who have been on the unemployment benefit for one year to reapply for the benefit.
- A Tokoroa woman received \$140,000 by claiming the Domestic Purposes Benefit and Invalids Benefit while continuing to live with her husband for 14 years.
- A Tauranga woman fraudulently received \$17,500 in extra benefits as a single parent, until investigators scrutinising her Bebo and Facebook pages found that she was living with the father of her two-year-old son. She was convicted and sentenced to four months' home detention and 200 hours of community service.
- A man with an estimated \$1 million in investments used fraudulent documents to receive \$71,483 in Disability and Invalids Benefits over a seven-year period. The man had money invested under two different names with contact addresses in Wellington, Auckland and Melbourne.
- A Palmerston North woman, between December 2003 and March 2010, fraudulently claimed \$25,893, which she put toward buying and selling houses. She was convicted and sentenced to seven months' home detention.

## National has...

### Introduced Future Focus reforms setting clear expectations for work availability

- ✓ People on the Unemployment Benefit or Sickness Benefit for 12 months have to re-apply for the benefit. This has identified some people who were in work, but who were still claiming benefit payments they were not entitled to.
- ✓ People getting the DPB are now expected to work part-time, or look for part-time work, from the time their youngest child is six years of age.

### Expanded data-matching to identify fraud and abuse of the welfare system

- ✓ Increased data-matching benefit applications with information held by other agencies. In 2010/11 Work and Income completed:
  - 1.99 million matches with the Department of Internal Affairs.
  - 9.6 million matches with Customs.
  - 1.7 million matches with Corrections.
  - 1.9 million matches with ACC.
  - 57,000 matches with Inland Revenue.
- ✓ The increased data-matching of benefit applications with information held by other agencies found between six and twelve per cent of people were receiving benefit payments they weren't entitled to.
- ✓ In 2010/11, there were 690 successful prosecutions for benefit fraud involving more than \$22 million.
- ✓ In 2010/11, additional abuse of the welfare system valued at \$183 million was identified by the Ministry of Social Development but was not prosecuted as it fell below the current prosecution threshold.

## Future Focus reforms

Prior to our Future Focus reforms, only 25 per cent of beneficiaries were work tested. We've increased that to 36 per cent.

Since the changes came into effect, the number of people on benefit has fallen from 345,000 to around 328,000.

### Domestic Purposes Benefit (DPB)

*Obligation introduced: To work part-time or look for work when youngest child is six.*

- 2,000 more DPB recipients are now working part-time.
- 12,000 DPB recipients have left the benefit and gone into full-time work.

### Unemployment benefit

*Obligation introduced: To reapply after 12 months.*

- Nearly 5,000 beneficiaries didn't bother to reapply; some clearly had other income.
- More than 2,500 were in work already.
- 9,200 benefits cancelled so far as a result.
- Saved taxpayers over \$17 million.

### Sickness benefit

*New obligation: to reapply after 12 months.*

- 900 Sickness Benefits were cancelled.
- 250 people on the Sickness Benefit went into employment.
- The number of people on the Sickness Benefit working part time has increased by three per cent.
- Movement from the Sickness Benefit to the long-term Invalid's Benefit is at the lowest level since the mid-1990s.

## What we will do next...

### 1. Bring a greater focus to welfare fraud and those who abuse the welfare system

- Focus on welfare fraud and those abusing the system by data-matching information in benefit applications with information held by other agencies by making greater use of technology.

We will extend the use of data-matching between government agencies to ensure fraudsters are picked up early.

For example, when a person applies for the Unemployment Benefit, their information will be shared with the Department of Inland Revenue to ensure they do not have another source of income, which would make them ineligible to receive the Unemployment Benefit.

False identities could be detected by sharing benefit application information with the Births, Deaths and Marriages office in the Department of Internal Affairs.

- Review the Social Security Act, focusing on how to make it easier to prosecute people who defraud the taxpayer.

We will review the Social Security Act 1964 and operating guidelines to make it easier to prosecute people who abuse the welfare system.

In particular, we will review the rules around relationship fraud and make them clearer, so people know when they have to let Work and Income know they are in a relationship. We will get tougher and prosecute people who don't give us relevant information about their situation in order to claim benefit payments they are not entitled to.

For example, a couple where one party is on the Domestic Purposes Benefit can be considered in a relationship for benefit purposes even if they live in separate houses and do not have a physical relationship. There are 13 relationship indicators which are used

to decide on the status of a relationship, including emotional support, shared social activities, joint-decision making, and joint financial arrangements such as hire purchase agreements.

- Fund a new team of fraud specialists and investigators focused on reducing abuse across the welfare system.

The specialist fraud team will work across the public sector, taking an all-of-government approach to coordinating anti-welfare fraud activity between government agencies.

The specialist team will cost \$600,000 a year and be funded from savings achieved through reduced fraud and the recovery of assets.

### 2. Clamp down on drug use

- Sanction jobseekers whose recreational use of drugs affects their ability to apply for and secure a job.

Too many young people, especially, are not applying for a job if the job involves drug testing. If left alone, these young people are at risk of long-term welfare dependency.

#### How big is the problem?

In May, Work and Income in Ashburton invited 74 of the district's 112 unemployed young people to a job seminar. Of those who attended, 18 per cent said they would fail a drug test if they were asked to take one.

If a person doesn't apply for a job because a potential employer asks them to take a drug test, or if they fail such a pre-employment drug test, their benefit will be cancelled.

National's proposed investment approach to welfare means providing more support for people who are capable of work, but are likely to remain on benefit long-term without this assistance.

As a result, those who suffer from drug addiction will be offered help and support to deal with their addiction. If there is doubt about whether a person suffers an addiction or is a recreational drug user, a National Government would be guided by expert professional medical advice.

### 3. No dole for people on the run from Police

→ If someone is on the run from the Police, with a warrant out for their arrest, we will stop their benefit.

Taxpayers should not be paying people wanted by the Police to evade the law. Once the outstanding arrest warrant has been cleared, benefit payments will resume, with no back pay.

This collaborative approach between Police and Work and Income will free up significant Police time and resources.

#### How it will work

Once a person suspected of committing a criminal offence has failed to appear before Police, an arrest warrant might be issued.

If Police fail to locate a person subject to an arrest warrant, the Police could request Work and Income to start proceedings to suspend the person's benefit.

Work and Income will then write to the person, letting them know they have a week to deal with the outstanding warrant.

The person will have one week to come into Work and Income and show they have dealt with the warrant. If there is no contact from the person, Work and Income will suspend the person's benefit.

Beneficiaries with children will receive 50 per cent of their benefit until they supply evidence to show they have dealt with the outstanding warrant for their arrest.

## Labour would take New Zealand backwards

#### Labour:

- ✘ Did nothing to stop fraud and abuse of the welfare system, allowing it to go largely unchecked.
- ✘ Allowed recreational drug users to evade work expectations by taking even more drugs and not turning up for job interviews.
- ✘ Didn't identify beneficiaries with serious drug addictions in order to get them the support they needed.
- ✘ Continued paying benefits to criminals on the run from Police.
- ✘ Fudged welfare fraud data to hide the problem of welfare abuse.

**We can't afford another dose of Labour.**