

Annex A

Terms of Reference

Ministerial Review

Department of Work and Income

Background

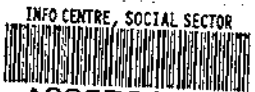
Cabinet agreed on 20 December 1999 to conduct a Ministerial Inquiry into the Department of Work and Income (WINZ). It also agreed that the Prime Minister, the Minister of State Services and the Minister of Social Services should finalise the Terms of Reference and that the Minister of State Services should sponsor the inquiry.

Purpose of the Inquiry

Almost since its inception WINZ has been at the centre of public controversy. Before making further decisions as to future policies and directions, the Government wishes to ensure it has an informed basis on which to do so. Accordingly, the inquiry is intended to provide answers to the following questions bearing on the Government's purchase and ownership responsibilities:

- a) What were the policy objectives which led to the establishment of the department?
- b) Are those objectives being fulfilled and are they consistent with the Government's mandate for change in the area of social policy?
- c) What organisational design and management features, including information technology systems and property management, were prescribed by the previous Government and what was the result of decisions by the department itself?
- d) What are the department's current outputs? Do they need to be designed to enable the present Government to achieve its objectives?
- e) What are the current strengths and weaknesses of the department and what could be done to remedy the latter?
- f) What strategic and business plans are in place? What are the frameworks and principles on which those plans and operations are based in the major areas of financial, human resources, information, and asset and risk management?
- g) What are the principal features of the style and culture developed by the department? Do these need to be re-examined in the light of the current Government's preferred approach to public sector management?
- h) How is the department viewed by its clients and stakeholders? What bearing do these views have on the department's ability to fulfil its purpose?

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- i) What other matters concerning the department, particularly in respect of its medium or long term viability, such as information technology systems and property management, need to be considered by the Government?

Reviewer

The reviewer will be Mr Don Hunn, former State Services Commissioner, who will report to the Minister of State Services.

Management of the Inquiry

The reviewer will be provided with office accommodation and administrative support from within the Public Service. A budget and a review programme will be approved in advance by the Minister of State Services. Should any additional services be required from outside the Public Service these will also require the approval of the Minister of State Services. Likewise, any significant changes which would add to the cost or extend the timetable will require the Minister's approval. Costs will be charged to Vote: Work and Income. The reviewer will report to the Minister on progress from time to time, and will submit a written report at the completion of the inquiry or at the end of each stage, should it be found desirable to seek further views or decisions from Ministers at particular points in the inquiry.

Consultation

It is expected that the reviewer will draw on the views not only of Ministers and the management and staff of WINZ, but also of a range of clients and stakeholders around the country, both within Government and the social sector. A professional agency is to be commissioned to undertake a survey of client and stakeholder views.

Timetable

The inquiry will commence in mid-February 2000. The process will include information gathering and opinion survey. The reviewer will submit a written report to the Minister in late April 2000.

Annex B

Analysis of Responses from Government Departments and Crown Entities

Executive Summary

The decision to integrate in a new agency four separate business units from two existing departments to achieve employment based policy outcomes was made in 1997, based on the Coalition Agreement of December 1996.

The responses reflect the complexity of the machinery of government arrangements for the Department of Work and Income (DWI). More importantly, however, the department operates in one of the most complex policy and service delivery environments, where problems are deep-rooted and long-standing, and solutions are elusive, and individual interventions are not easily linked to changes in social outcomes. The lives of a third of New Zealand's population are affected by the department.

The diversity of respondents' opinions around establishment, integration and the subsequent performance is an indication of the difficult operating environment of the department.

Respondents saw the integration and establishment of the new department as an enormous task, particularly in the short timeframe allowed and with concurrent substantial policy change. The subsequent addition of further responsibilities may have made effective performance in some areas unrealistic.

The process of integration is believed by those involved to have been difficult. This was exacerbated by sometimes difficult relationships between the parent departments and the Integration Transition Team.

The department is seen to be focused on internal management, to the detriment of external relationships. Respondents state that if these crucial stakeholder relationships are not nurtured there is a risk to the department that it will not be able to contribute to the delivery of the outcomes Government expects.

Many respondents acknowledge that in recent times the department is making more effort in building relationships, mainly within the Public Service. Some respondents report positive working relationships with the department, whilst others indicate difficult interactions.

There is some confusion around policy boundaries between the department, the Ministry of Social Policy and the Department of Labour on the part of other agencies. Related to this is a need for the department to be allowed to develop its policy capability.

The majority of respondents feel that a high level of stability and certainty in the social service policy and delivery area would enable the department to focus on achieving Government's goals in this area.

Many believe that the department is capable of achieving high quality performance, albeit with changes to its operating style. These changes focus on moving from a somewhat inflexible and doctrinaire approach to management, to one that reaps the benefits of diversity of opinion and approach. This includes encouraging flexibility of delivery solutions, inclusion of Maori and community groups in decision making processes, an appreciation of complementary working styles and the necessity of healthy debate and discussion in order to achieve positive, whole of government outcomes, particularly for Maori.

Context

Cabinet approved a Ministerial review into the Department of Work and Income (DWI) on 14 February 2000 [CAB (00) M 4/11 refers].

The review was tasked with answering nine questions outlined in the terms of reference for the review. The Terms of Reference also stated that the review should "*draw on the views not only of Ministers and the management and staff of WINZ, but also of a range of clients and stakeholders around the country both within the Government and Social Sector.*"

Purpose

The review team sought to obtain a view of the policy and operational environment in which the department operates, including integration. The team also asked for any suggestions for improvements to the capability and performance of the department and associated organisations that could contribute to the achievement of Government's outcomes in the social service delivery area. The questionnaire that formed the basis for responses is attached as Attachment One.

Interviews with departmental and Crown entity chief executives were carried out in tandem with the written questionnaire. This paper should be read in conjunction with that analysis.

Categories of Respondents

There are three types of respondents to the questionnaire:

- Central/monitoring agencies (State Services Commission, Department of the Prime Minister and Cabinet, Te Puni Kokiri)
- Purchase/policy advisers (Ministry of Social Policy, Department of Labour)
- Departments/Crown entities with an operational/policy relationship with DWI (Department of Child Youth and Family Services, Ministry of Youth Affairs, Ministry of Education, Inland Revenue Department, Ministry of Justice, Ministry of Women's Affairs, Ministry of Health, Department of Corrections, Skill New Zealand).

Categories of Response

Two departments provided individual answers to all questions in the survey. The majority of respondents categorised their answers under thematic headings, based on the nature of their relationship with the department. A small number wrote a general response. The depth of responses reflected the level of involvement each respondent has, ranging from minimal operational policy implementation through to strategic and operational policy and performance management relationships.

Summary of Feedback

The responses have been analysed under the six headings of the questionnaire, not individual questions.

i. Basis and management of relationship

As stated above, the 14 respondents' relationships with the department cover the continuum from ad hoc contact on policy implementation exercises to formal performance monitoring and policy development relationships.

Relationships are described as improving in quite recent times, albeit from a low base. The department is seen as isolationist, with very little contact at senior management level across the Public Service. There is a perception by other agencies that the collective interests of government do not have priority with the department. Relationships have been neglected but some are beginning to be re-established.

Some departments reflected that the merger and the need to achieve enormous structural and policy implementation change on a compressed timetable could have caused this inward-looking focus.

There are a number of areas where relationships are good. Regionally these tend to be because of the strength of personal relationships. The existence or absence of memoranda of understanding does not seem to contribute to the quality of relationships.

Nationally a range of operational policy implementation relationships are positive. In these areas inter-agency relationships are professional and productive. Again this is not because of the presence of any existing memoranda of understanding.

The majority of the inter-agency relationships, however, are framed by the perceived attitude of the department. This can best be described as an inflexible "this is the way we do things around here" attitude, rather than a consultative, collective approach. Some relationships are conducted bi-laterally, where other agencies see benefits in a wider, cross-departmental approach.

A comment that was made by a number of respondents, and one which has an impact on the quality of the relationships between agencies, is the lack of clarity around responsibilities for policy in the social sector. It is not clear what is operational policy and what is not and therefore not within the ambit of the department. Some respondents felt a greater policy capability within the department and greater clarity around the responsibilities of DWI, the Department of Labour and the Ministry of Social Policy would be useful and go some way toward improving relations with the remainder of the agencies involved in policy development.

ii. Origins and Purpose

There is a high level of understanding about the intended outcomes behind the establishment of the department (reducing the number of long-term unemployed and increasing the number of job-seekers in community work and training). These were cited from the initial Cabinet papers and the Coalition Agreement between the National and New Zealand First parties.

There is disagreement in two areas that lie behind the outcomes. The first is around problem definition – what problem(s) the integration intended to solve. One department was of the view that the solution was designed with an unclear problem definition in mind. The second area of contention is whether a structural solution was the right answer to the problem(s) as identified.

International models were used in developing the organisational design of the new agency, although there are differences of opinion as to the preferred model, and the amount of emphasis placed on replicating international models in the New Zealand context. The United Kingdom, Australia and various state-level organisations in the United States are cited as models. Views range from acknowledgement that the models were looked at but the new agency was devised from a New Zealand perspective to the observation that differing models have been adapted.

The majority of respondents favoured the departmental model as the most appropriate organisational form for the new agency. One department preferred the Crown entity form because of the perceived fit with the policy/delivery split model. All departments that contributed to the original organisational design work have not moved from the views proffered at the time.

The achievability of the policy objectives inspires a wide range of views. The opinion of all respondents is that the compressed timeframe between the decision to integrate the four separate units into one organisation and the start-up date of 1 October 1998 placed enormous pressure on those involved. Any risks identified in the integration process were exacerbated by the short timeframe. The differences in opinion on achievability of the policy objectives cannot be separated out from a discussion around the integration process, which takes place below.

iii. Integration

The performance of the previous four business units was seen to be either acceptable or better by those who commented. The two largest units were seen to be working closer together on common issues, although there was some perceived tension between the directions of the two parent departments.

The majority of agencies who responded to the questionnaire stated that "virtual integration"¹ of the agencies that existed before 1 October would have been preferable. However the majority of those involved in providing advice to the Government at the time favoured the full structural option. One department's advice was that integration was not going to achieve the outcomes set by the Government.

Departments made their recommendations during the integration process based on their belief as to what would best achieve the results intended by Government, although the acknowledgement of the intention to create a new employment focused agency in the Coalition Agreement was also a factor in advice.

Full structural integration, the Coalition Agreement option, was seen as risky, particularly on a tight timetable, but achievable. Virtual integration was seen by some as having the majority of the benefits of full integration, but without many of the risks. A move to full integration could then take place after an evaluation of the performance of virtual integration.

Most departments would give the same advice again, including the department which believes that integration would not achieve the intended outcomes.

¹ Virtual integration would have been physical co-location of the two main business units, and greater co-ordination between systems and processes, whilst still operating under two different governance structures.

One of the most contentious areas in submissions is whether the model of the integrated agency could be expected to work, the judgement as to whether it has met its expected outcomes and whether a department can be expected to have a direct impact on outcomes.

There is some hesitancy on the part of respondents about making a judgement as to whether the integration has been a success. Many agencies believe it is too early to judge the success or otherwise of the new department. One respondent believes it takes five years to get the full benefit from merging two significantly different organisational cultures.

Having said that, there is growing opinion that organisational performance is improving. There is a strongly held belief that the organisation should not undergo any further major restructuring, as that could only be detrimental to the achievement of Government's outcomes in the social service delivery area.

There are a number of lessons for the Public Service from the merging of departments or parts of departments. Central agencies responded that there is a tendency to over-estimate the financial benefits of such exercises, and under-estimate the non-financial costs, including drop-offs in organisational performance, increased turnover and subsequent loss of institutional memory. Optimistic timeframes are set with the effect of trying to achieve too much in a short time.

iv. Establishment

All respondents commented on the detrimental effect on capability and performance of having to carry out simultaneously substantive structural change and new policy implementation. Many are of the opinion that this situation should be avoided in future.

Some respondents discussed the need for clear definition at Ministerial level about the role and responsibilities of any new organisation to provide officials with a clear framework to work within. It is important that portfolio and reporting responsibilities during and after the process are well understood. Possibly because of the newness of the MMP environment, these factors were not as clearly in evidence as officials had been accustomed to.

The role, composition and performance of the Integration Transition Team (ITT) caused a lot of negative comment by some respondents. The impact of the ITT on the success or otherwise of the establishment and commencement of the new organisation cannot be understated.

Role definition, in particular the responsibilities, of the ITT, the parent departments and the chief executive designate of the new department could have been substantially clearer. There was discussion in some responses about tensions between the ITT and the parent departments.

The staff transfer process came in for heavy criticism, particularly for the effect on staff morale and subsequent effects on organisational performance. It was recommended by several respondents that in future staff should be rolled over on current terms and conditions, rather than have staff competing for positions during the transition.

It is considered that the appointment of the chief executive should take place earlier so that input into decisions affecting the new organisation can be made by those responsible for the new organisation. Some respondents feel that involvement by senior management of the new department earlier in the process would have been beneficial.

The majority of respondents recommended stronger central agency leadership, particularly by the State Services Commission. A high level of agreement on what form or focus that leadership should have is not apparent from responses.

Many respondents favour a longer timeframe for implementation, although how much longer is unclear.

There are several other suggestions for improvement in the management of exercises of this kind. According to some respondents, many of the lessons learnt have been applied to other Public Service change management processes since integration.

The risk identification and management process was acknowledged by the respondents involved to have been well focused on risks up to and including 30 September 1998. The biggest concern identified by respondents was that all benefits continued to be paid during the transition. Other risks that were identified included information technology failure and HR risks. The lack of focus on post-integration risks is now seen to have been a weakness.

v. Capabilities

There are strong views from respondents regarding the capabilities required both within the department and the wider State sector to ensure the integration arrangements work to their fullest potential. The internal capabilities suggested include strengthening the strategic management capabilities and understanding of core government processes within the senior management team; building a strong public service ethic with appropriate principles and practices; and development of effective relationship management processes with beneficiary, employment and community groups and other Public Service departments.

In addition there was comment about the need to develop capability in respect to responsiveness to Maori. Maori form a disproportionately large section of the population accessing DWI's services. Te Puni Kokiri has a number of suggestions, including development of a memorandum of understanding between TPK and DWI; clearer policy directives with respect to a Maori employment strategy; and comprehensive Maori strategies addressing service delivery and human resource policies.

A number of suggestions were made regarding the capability of the Public Service/wider state sector to ensure optimum performance. The capabilities that need to be developed are seen to be: effective working relationships, at all levels, between the Department of Labour, Ministry of Social Policy and DWI; the development of effective information systems within the three departments to assess the achievement of outcomes; and the development of an agreed approach to the appropriate form of performance measurement framework for the department; and the establishment of effective and sustained partnerships with community, employment and other interest groups.

Some respondents suggested a review of performance/purchase advice arrangements. One respondent commented that the current arrangement of policy departments providing performance advice on the delivery department needs more work. An examination as to how these arrangements support, or act against, integration at an operational level was seen as necessary.

Many respondents raised the need to review the decision on the department's policy capability ie whether to have operational policy capacity only. Some respondents stated that development of a policy and analytical capacity could improve the effectiveness of the department.

There was recognition of DWI's progression toward improving capability in some of these areas. As mentioned in subsection i), relationships across the Public Service have begun to be either rebuilt or commenced in recent times. A few respondents mentioned the department's new project on strategy and capability and said they would be watching the project with interest.

vi. Organisation Culture and Style

One of the desired characteristics of the new organisation was seen by respondents to be the development and maintenance of a broad range of stakeholder relationships. Some respondents felt that maintaining a dual approach – centralised systems for income support and regional, adaptable systems for achieving employment outcomes – would be a challenge.

There is strong feeling on the part of respondents that an inflexible style pervades the department and its activities. This inflexibility is seen to manifest itself in two ways.

Some respondents focused on how the uniform approach to provision of services does not reflect the diverse nature of the various client groups the organisation has or, in regard to the main service delivery arm, whether uniformity and case management are conceptually incompatible. Particularly in relation to employment, the need for flexible responses to local problems is seen as critical. At present the organisation is not seen as having that capacity.

There is strong feeling amongst respondents that decisions that have impacts on other agencies are taken internally, with no consultation and/or chance of discussion or explanation. This inflexible approach to problem solving is frustrating for agencies, who believe their input is either not sought or not valued by the department.

Respondents identified the risk of the department continuing to focus on internal performance management, to the detriment of external stakeholder relationships, particularly those with community and Maori groups. This situation was seen by some to be caused by the necessary focus on "getting the house in order" but many respondents feel that the time has come to widen the focus back out.

Respondents see a strong collective interest of government, community focus as being crucial to the achievement of the Government's outcomes in social service delivery. Collaboration, both within government and across society, was consistently pointed out as the most effective means of addressing the "gaps" identified by the Government.

The majority of respondents feel that the department is capable of assisting the Government in meeting its objectives in this area, albeit with some changes in its operating style. Valuing complementary styles of working, discussion and alternative points of view were three suggested means of changing the operating style for the better.

vii. Looking ahead

Respondents stated that greater clarity around the Government's objectives in the social policy/service delivery area would assist the department in moving forward. The uncertainty in its operating environment brought about by reviews of this type needs to be cleared away so the department is able to focus on the job the Government wishes it to do.

Some respondents did identify policy issues that need to be settled before further organisation development takes place. Whether this task lies with the department, or the policy ministries involved, or both, remains unclear. Policy issues identified include the nature and definition of employment (what is employment, including the validity of community and volunteer work), work testing and benefit policy simplification.

One respondent was uncertain as to whether a large government bureaucracy was the most effective means of delivering targeted assistance to individuals and niche groups. Most respondents believe the department can deliver effective services, again with some changes in delivery style.

There is high-level debate about outcomes and outputs in the social service area. Some respondents raised a point about the appropriateness of an organisation being held accountable for outcomes over which it does not have complete control. The inter-relatedness of complex social issues, and the need for sophisticated, long-term responses to those problems, is another issue raised by some respondents. They acknowledge that most jurisdictions are having some difficulty grappling with these policy issues.

Some responses recommended tighter output specification for the department. A few respondents acknowledged that the initial reason for broad output classes was to reflect the Ministerial wish for flexibility within regions. However the feeling now is to have tighter output specification, mainly for evaluation purposes.

Many respondents do not believe there is a need for new or additional mechanisms to ensure a more effective collective effort. There is a belief that systems are in place within the Public Service to ensure a collaborative effort in achieving Government's desired outcomes. Respondents believe it is more a matter of better utilising the current arrangements, such as joint work programmes and utilisation of inter-departmental networks.

There were suggestions for greater central agency monitoring and guidance.

One respondent suggested that the Government may wish to consider a strategy similar to Strengthening Families in the areas of employment and skill development. This would have the advantages of reducing perceived overlapping and inconsistent approaches between agencies.

What respondents do believe there needs to be much more of is the department to participate in collective interest activities – to be less individualistic, and more part of the Public Service “family”. The byword mentioned is collaboration – more of it, in a constructive manner, building on that which has begun to take place in recent times.

Attachment One

MINISTERIAL INQUIRY INTO THE DEPARTMENT OF WORK AND INCOME

SURVEY OF SELECTED GOVERNMENT DEPARTMENTS

Basis and management of relationship

1. What is the nature and extent of your association with WINZ?
2. What are the principal characteristics of this relationship and what range of issues do both organisations have to manage jointly (or together with other departments) to achieve the Government's objectives?

Origins and Purpose

3. Looking back to 1997, what was your department's understanding of the policy objectives which led to the establishment of WINZ and the organisation design specified by the Government of the day?
4. Were there particular models on which the preferred approach was based? With hindsight were there elements of policy or organisation design which should have been given greater (or lesser) emphasis?
5. What documents, other than those submitted to Cabinet, were especially important in formulating policy objectives as well as preferred systems and structures? Were there any significant overseas influences?
6. Did your department have a view as to the clarity and achievability of the policy objectives and design specifications? Has that view changed?

Integration

7. What was your professional view of the effectiveness of the previous Income Support Service, New Zealand Employment Service, Community Employment Group and/or Local Employment Co-ordination business units?
8. In retrospect do you think this view was the chief determinant of your policy advice on the preferred integrated approach? If not, what were the influences which shaped your advice?
9. In the light of experience has the "integration experiment" worked?
10. Based on your observations of public sector reform have you developed any views as to the particular problems of merging departments (or parts of departments) and how these problems might be overcome?

Establishment

11. What did you consider to be the ingredients required for the successful implementation of the Government's employment and income support policies in 1998/99? In the event were they in place, in time, to ensure the best possible start-up?
12. From your department's perspective in what ways did the decision to undertake concurrently with the major structural change, significant new benefit policy initiatives impact on WINZ's ability to meet the Government's objectives? Has this bipolar focus led to any distortions in the policy and service delivery frameworks which may now require correction?

13. What other issues arising from the establishment process have impacted on the ability of WINZ and other departments to meet the original policy objectives? If these issues persist how are they best resolved?
14. To what extent were the establishment machinery and processes, together with the timeframe, factors in implementation? If the timeframe had been longer and WINZ management had been more closely involved earlier, would the gap between policy and implementation responsibilities have been as great as appears to have been the case?
15. What major risks were foreseen as bearing on the success or failure of implementation? How were these defined and how were they to be managed? From the present perspective was the definition and management of risk given sufficient priority?

Capabilities

16. What capabilities did you consider had to be developed to enable the integrated organisation to achieve the Government's objectives? What capabilities were required elsewhere in the Public Service to ensure the chosen model worked?
17. In the event, have these capabilities been developed? If not, what would you suggest should be done to fill the gaps?

Organisation Culture and Style

18. Were particular characteristics of organisation culture and style seen to be essential to the performance of the new integrated agency?
19. Have issues of culture and style impacted on the establishment and management of WINZ, especially in respect of your departments' working relationship with WINZ?
20. Given the current Government's preferred approach to social issues and to the management of the Public Service, what are the implications for future operations in the area of employment and income support?

Looking ahead

21. Are there any policy, service delivery or organisational matters – other than those referred to in the answers to the above questions – which should be settled prior to any further organisation or process development?
22. What changes, if any, should be made to WINZ's outputs to enable WINZ and other departments to achieve the desired results in this area?
23. Should more attention be paid to the definition and measurement of outcomes? If so, how would you suggest this be done?
24. Taking into account all of the above, what process would you consider would best enable Ministers to come to grips with the issues?
25. Given, on the one hand, WINZ's sole accountability for the substantial public resource allocated to it and, on the other, that successful achievement of the Government's social policy objectives depends on inter-departmental co-operation, is it necessary to develop new mechanisms and/or understandings to ensure a more effective collective effort?

Annex C

Analysis of submissions from organisations that work with the Department of Work and Income

Executive Summary

90 submissions were received. Nearly two thirds of the submissions were written by voluntary organisations, the next largest group were those who contract with DWI to deliver services, followed by councils and tertiary institutions.

The key issues raised were;

- Communication channels with DWI
- Attitude of DWI towards clients and organisations
- Dealing with entitlements, application of legislation, the role of the Case Manager
- Access to information, the departments' ability to disseminate information and gather information
- Training needs of frontline staff
- Contracting of services
- Student loans and allowances.

The majority of respondents expressed qualified support with the services that DWI delivers whilst still acknowledging significant areas of concern. The analysis of responses indicated varying degrees of satisfaction with both the service DWI delivers and the way it delivers them. The 'one stop shop' concept was generally accepted but there was widespread concern that insufficient specialisation of tasks occurred at the frontline. Other key issues raised related to the culture and performance of DWI.

The key areas for improvement in the way services are delivered were identified as:

- better access to staff
- more knowledgeable staff
- consistent application of policy and more reliable information
- better liaison with local and national bodies
- through and more targeted training programmes for staff
- a more proactive approach to employment strategies
- better administration of student loans and allowances

The submissions identified common areas that are causing concern in the performance of DWI. Respondents indicated that these issues were ones that could be remedied by focused management attention.

Context

In December 1999 the Minister of State Services commissioned an inquiry into the Department of Work and Income (DWI). Ranges of organisations that work with the Department were selected randomly from lists DWI held and sent invitations requesting feedback on the working relationship. Some responded at a national level and others returned individual submissions from regional offices. The invitations were sent to specific groups:

- Polytechnics and Tertiary Institutes (10)
- National Organisations (131)

- Local Organisations from throughout the country (108)

Out of the 249 organisations that received invitations the following responses were received:

- Polytechnics and Tertiary Institutes (6) 60%
- National Organisations (49) 37%
- Local Organisations from throughout the country (35) 32%

Overall a 36% response rate.

The closing date for submissions was 24 March 2000. However submissions continued to be accepted until 29 March 2000.

Purpose

This paper summarises the key issues raised by organisations in their submissions to the Review Team. A breakdown of the number of respondents by type of organisation and location is included at the end of the annex, as attachments one and two.

Each organisation was asked to write to the Review team under five headings:

- A brief description of the types of interaction with DWI
- An indication of the level of satisfaction with the services delivered by DWI
- An indication of the level of satisfaction with the way services are delivered
- Any suggestions for improving the service of DWI
- Other comments

A copy of the letter sent to organisations is at the end of the annex.

A number of respondents used these headings in their submissions. However, the majority of responses simplified their response by outlining the type of interaction with DWI, areas of satisfaction and dissatisfaction and recommendations for change. The analysis of the responses revealed several common themes.

Categories of Respondent

The interests represented by the respondents cover the following areas:

- Organisations that provided social services such as advocacy, assistance and information to beneficiaries and who often had a national liaison role with DWI.
- Organisations contracted by DWI to deliver a range of services such as vocational training.
- Tertiary institutions with an interface with DWI for student loans and allowances, Training Incentive allowance, Hardship allowance and the Community Wage.
- City Councils with responsibilities for community services, employment programmes and housing benefits.
- Other groups, including national organisations, not included elsewhere

The majority of respondents were based in the North Island. A number of respondents represented national organisations.

Categories of response

The majority of respondents provided detailed feedback on the type and quality of their organisations interaction with DWI. In most of the submissions, organisations indicated a need for changes to improve the service to clients, Some specific policy issues were raised but do not fall within the mandate of this review.

The majority of respondents expressed qualified support with the services that DWI delivers whilst still acknowledging significant areas of concern. A smaller number of respondents expressed qualified opposition to the way DWI delivers it services and suggested changes to bring services to an acceptable level.

Summary of issues

The analysis of the submissions revealed several common themes. The issues raised encompassed both high and low levels of satisfaction with the services of DWI and the way they are delivered.

The key issues raised by respondents are grouped under the following headings:

- Communication channels with DWI
- Attitude of DWI towards clients and organisations
- Dealing with entitlements, application of legislation, the Case Manager
- Access to information, DWI's ability to disseminate information and gather information
- Training needs of frontline staff
- Contracting of services
- Student loans and allowances

The issues identified above have been ordered to reflect the stages of interaction with the department; making contact with DWI, how the interaction is treated by frontline and management, the process of accessing the appropriate entitlement and the skill gaps identified in staff. Issues arising with organisations contracted to provide services and the administration of student loans and allowances are addressed separately.

i. Communication channels with DWI

'0800 number keeps you waiting interminably'

'Greatest cause of dissatisfaction is the calling centre- extremely long time for calls to be answered'

'The difficulty in telephoning WINZ is beyond belief'

The majority of submissions commented on the process of contacting DWI. Most respondents indicated frustration with call centres and reception. The exceptions were respondents who had direct call numbers or fax lines to management or Case Managers.

A few respondents indicated an improved service with the introduction of call centres. The majority of respondents throughout New Zealand commented on long waits for a reply, sometimes up to 40 minutes and some expressed dissatisfaction at being cut off after 20 minutes. A frequent complaint was the length of time, 3-4 days, for a reply to a call, messages left unreturned and difficulty getting direct lines or local numbers for Case Managers or local staff.

Respondents commented on the process of being required to make appointments through a Call Centre. Clients routinely had to wait 3 weeks for an appointment, sometimes the record of the appointment was lost and there was concern expressed that there was no facility for emergency appointments.

Respondents stated that Call Centres provided adequate client details of benefits being paid but were unable to answer questions about entitlements in general and would often give out incorrect information. A common request from respondents was that all calls from clients should be recorded, particularly requests for assistance. Suggestions were made to have a better tracking system of calls and to record all appointments in writing.

Respondents also raised the issue of the reception process in local offices. Respondents expressed discomfort that everybody had to queue to be dealt with by the one receptionist, employers felt they should have direct access to offer job vacancies, advocates complained of privacy issues and lack of sensitivity towards the elderly. There was also concern that appointments could not be made at the local office. It was recommended that DWI use Interviewing Officers to stream line access.

Communication via mail and faxes was also raised. Respondents indicated that replies were often delayed, some respondents maintained that correspondence was ignored. Often it was the nature of replies that caused dissatisfaction, some respondents described DWI letters as 'unclear 'insensitive' or 'threatening'.

ii. Attitude of DWI towards Clients and Organisations

'We have a close relationship with some of the local staff this ensures positive feedback'

'WINZ staff are often rude and make unnecessary or 'put down' comments'

'Clients feel intimidated'

A number of respondents began their submissions expressing a general satisfaction with the responsive nature of frontline staff and management. In particular respondents who had developed a relationship with a key contact expressed a high degree of satisfaction. However these respondents also indicated that they were aware of clients who had met with negative attitudes from staff and made suggestions for improving staff attitudes.

Respondents, particularly those with advocacy roles perceived some staff to be 'arrogant', 'intimidating', 'impatient', 'insensitive' 'offensive' and 'imperious'. Comments were made that staff assumed clients were 'potential fraudsters', that staff are; 'judgmental', 'assume guilt', and that there was a general unwillingness to empathise with the client. It was also commented that DWI operated under a siege mentality' and that there is an 'adversarial culture'. Respondents who had roles in migrant services, disability, and mental health all commented on occasions when staff had displayed a lack of sensitivity and understanding. Some respondents also commented on a lack of empathy for the elderly.

Respondents were generally aware of dedicated staff but their comments identified a culture within DWI in which clients felt disempowered and fearful. The majority recommended staff should be retrained to be courteous, helpful and to treat the client with respect. Respondents suggested that training staff to deal with clients in a non-threatening manner would also reduce stress levels within the office.

iii. Dealing with entitlements, application of legislation, the role of the Case Manager

'A culture within WINZ that rewards staff who hand out fewer benefits rather than inform customers of their entitlement'

'A culture that looks at ways not to provide financial assistance'

'Some offices have brilliant case managers and supervisors'

A key issue raised by respondents was the role of the Case Manager. It was perceived that the workload of the Case Manager was too high and that this could lead to 'shallow and cursory interviews'. It was frequently stated that it was not possible for the Case Manager to be an expert in every level of legislation and departmental policy. The most positive remarks concerning Case Managers came from respondents whose organisations dealt with a designated Case Manager who dealt primarily with a specific benefit or type of beneficiary. A common suggestion was to have some type of Case Manager specialisation within an office.

Respondents contended that Case Managers who covered a broad area were more likely to make mistakes in the application of legislation and to be unaware of the details of specific entitlements. As a result it was often difficult to find out what a client was entitled to. Respondents were generally dissatisfied with discrepancies in interpretations of policy across centres and within offices.

Staff turnover was another common issue raised and it was maintained this contributed towards misinformation and inconsistent levels of knowledge.

Most respondents, particularly voluntary agencies, commented that assistance provided by DWI was often minimal, that clients were not given advice on benefits or allowances they may be entitled unless they asked about them. Respondents commented that there was often a general unwillingness to co-operate to get the best outcome for the client.

Other issues that frequently arose were the lengths of time to get an appointment, no fallback when client appointments were cancelled without warning and no facility for emergency interviews. In addition respondents identified the lack of written explanation for a decline of supplementary assistance, the difficulty clients had in contacting a Case Manager and the negative tone of letters as unsatisfactory. Some respondents also questioned the 85% satisfaction rate suggesting it was inflated.

Respondents suggested that more frontline staff, a lighter workload and better training would improve the interface with clients by reducing stress on staff and providing time for quality interactions. They suggested DWI look at ways of ensuring a consistent application of legislation and guidelines, and to develop a systematic approach to rectifying problems when they arose.

In addition respondents commented on the need for an independent audit function some recommended a more formal procedure for complaints and others an independent advocacy service to deal with problems.

iv. Access to information - DWI ability to disseminate information and gather information

'WINZ do not believe in informing people other wise there wouldn't be any need for an organisation like ours' (Advocacy Organisation)

'Clients often receive different messages from different people on different days regarding the same issue'.

All respondents identified access to information as an integral part of their relationship with DWI. National organisations, contractors, tertiary institutions, and advocacy agencies all wanted information and indicated they had problems obtaining the information they required.

A number of respondents asserted that no attempt was being made by DWI to maintain a network of relationships with national bodies. National bodies and other agencies argued that more dialogue with DWI was necessary in recognition of the partnership they perceived existed with DWI. Nearly all recommended that DWI should be more proactive in this area.

There was positive feedback from agencies and services that had developed good relationships with local offices. A common suggestion for improvement in sharing information was making policy manuals available to users, service providers and to libraries.

Respondents commented that computer links were often down and this caused frustration. A number of respondents identified this an area for improvement. Others commented that it was only when mistakes were made that it became apparent that there was a problem with the information systems supporting the front line staff.

There was a mixed reaction to the statistical data DWI makes available to outside agencies. Some commented that labour market material had improved while others said it was more difficult to obtain statistical data, others wanted 'a return to meaningful statistical data' and for DWI to reinstate provision of regional data to councils.

v. Training needs of front line staff

Respondents frequently identified staff training as an area of concern. This issue was a recurrent theme and was a common suggestion for improvement in the department. The key areas recommended for ongoing staff training were:

- Customer relations including developing the ability to empower clients and the ability to defuse a situation
- Knowledge of the legislation, policy and guidelines
- Cultural sensitivity particularly recognising the special needs of refugees and migrants
- Knowledge of the local voluntary welfare sector and services available
- Understanding the different types of mental illnesses and how to deal with them
- Employment placing - getting the right match between clients and placements
- Understanding the particular needs of specific client groups such as the elderly and the disabled.

Respondents were very positive about the need for better training for staff. A number of respondents indicated that they had made approaches to the department to share knowledge. Respondents were keen to have ongoing contact with DWI to ensure staff are fully aware of the special needs of client groups.

vi. Contracting of Services

Respondents who contracted with DWI for the delivery of services were on the whole satisfied with DWI. They perceived staff to be competent and helpful. There were some that indicated problems resulting from changes to management style as a result of the integration of services. A few respondents commented on management arrogance, an inability to listen and dishonesty in dealings.

A number of respondents believed that the 'merger' had resulted in an over emphasis on income support. While satisfied with the 'one stop shop' respondents commented that there is need for a stronger focus on employment. Some respondents identified a lack of overall strategy for the purchase of vocational services as a problem. Others commented that DWI needed to have a more coherent tendering process.

Nearly all respondents stated that DWI needed to be more proactive in the employment area. A common suggestion was for the return of job boards. Others commented that since the merger there had been a loss of personal service and referrals had dropped. A few respondents were critical of the introduction of short courses and said this allows for placement figures to be inflated.

Respondents were positive about the retaining a regional structure and suggested strengthening the decision-making powers of the Regional Commissioner. A number of respondents identified a drop in satisfaction with community employment services since the merger and questioned whether this group belonged in DWI.

Another group of respondents, those dealing with refugees and migrants were generally satisfied with DWI but identified some areas they would like to see changes in. Improvements suggested included; the use by DWI interpreters, having specific policy guidelines for this client group and encouraging DWI staff to organise block bookings for refugee clients.

vii. Student loans and Allowances

'We have not found any of the services to be satisfactory'

I have experienced long delays, however I have always received excellent service from WINZ staff in dealing with students'

'Service is erratic'

The level of dissatisfaction was high across institutions assisting DWI provide for students loans and allowances. A number of the issues raised have already been included in this report. Suggestions for improvement in this area were specific and reasonably uniform across institutions.

Student loans and allowances were perceived as problematic. Respondents commented that DWI failed to recruit experienced staff, that there were problems with the computer system and that management did not listen to the advice of institutions. All institutions experienced

'unacceptable delays', 'gross errors', 'inconsistencies' and 'mismatches of information'. Respondents commented that it had cost the tertiary sector extra resources to assist DWI.

Respondents made the following suggestions for improvement:

- Management of the process should be in the institutions
- DWI should use institutional staff as well as DWI staff
- Onsite staff to have access to DWI database
- Centralise DWI processing and call centres
- Written notifications of declines with reasons
- Cost of administering the scheme should be reviewed.

Conclusion

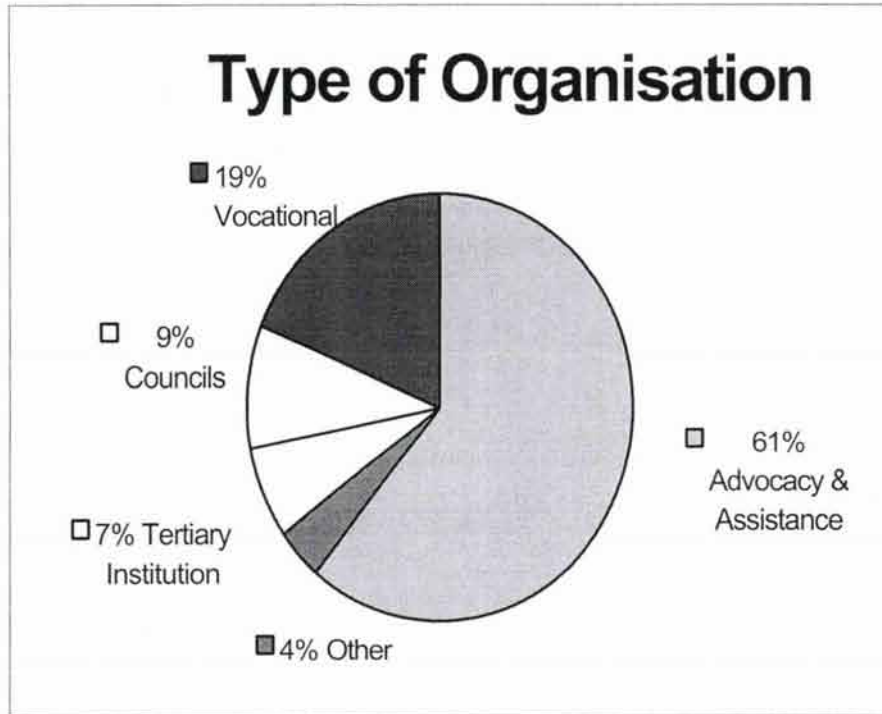
Most respondents put a great deal of thought and effort into their submissions and were considered in their analysis of their relationship with DWI and what needed to happen to make improvements. There were little if any personality issues raised, the key issues related to the culture, performance and delivery of services of DWI.

The analysis of responses indicated varying degrees of satisfaction with both the service DWI delivers and the way it delivers them. The 'one stop shop' concept was generally accepted but there was widespread concern that insufficient specialisation of tasks occurred at the frontline.

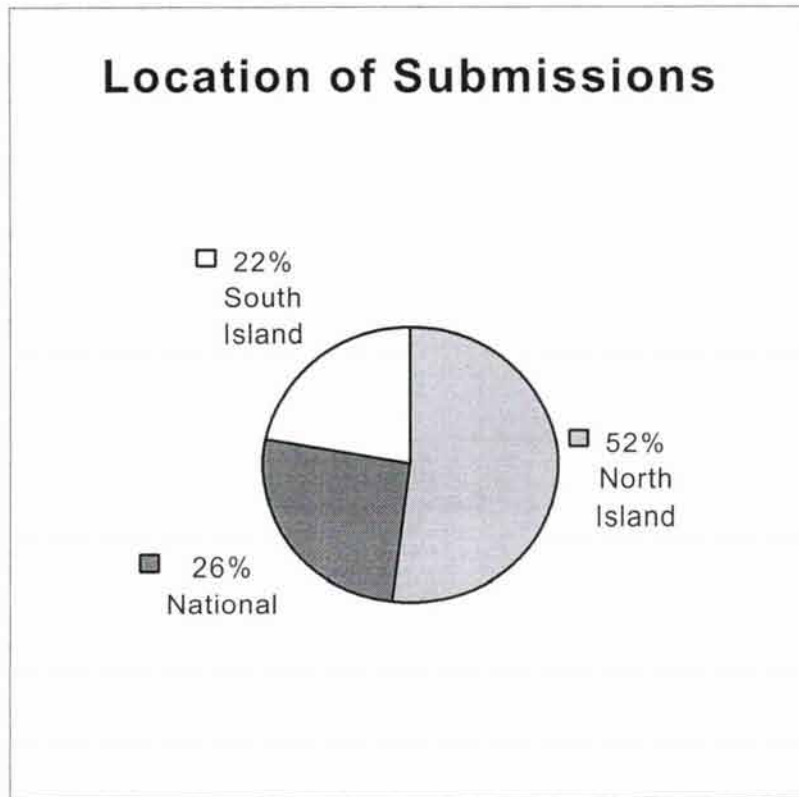
The key areas for improvement in the way services are delivered were identified as:

- better access to staff
- more knowledgeable staff
- consistent application of policy and more reliable information
- better liaison with local and national bodies
- thorough and more targeted training programmes for staff
- a more proactive approach to employment strategies
- better administration of student loans and allowances

Attachment One



Attachment two



Attachment Three

MINISTERIAL INQUIRY INTO THE DEPARTMENT OF WORK AND INCOME

10 March 2000

Dear

As you might be aware, the Minister of State Services has commissioned an inquiry into the Department of Work and Income (WINZ). I enclose a copy of the terms of reference. As Reviewer, I am due to report to the Minister by the end of April.

The Government has directed that as part of the inquiry I should obtain the views of organisations that work with WINZ. The name of your organisation has been given to us as having a working relationship with the department.

If you would like to respond to this invitation, I would be grateful if you could write to me under each of the following headings:

- ◆ A brief description of the types of services your organisation receives from WINZ and/or the types of interactions it has with WINZ;
- ◆ Whether your organisation is, on the whole, satisfied or dissatisfied with the services that WINZ delivers and with the way it delivers them (an indication of how satisfied or dissatisfied would be helpful);
- ◆ Anything about the services that WINZ delivers, or the way it delivers them, that your organisation finds especially satisfactory or unsatisfactory;
- ◆ Any suggestions you have for improving the service WINZ gives you or your clients; and
- ◆ Any other comments that you as an organisation wish to make.

When you are preparing your response, could you please take into account the following two points:

- ◆ I would like to know how WINZ performs only in the areas for which it is accountable. These areas do not include level of benefits and eligibility rules which are, of course, matters for decision by Ministers.
- ◆ I would like to hear what you and your staff have personally experienced. I am particularly concerned with the actuality on the ground, as opposed to media comment or impressions.

If time had permitted I would have liked to follow up any written response and to have arranged for you to be interviewed. Regrettably, in the light of the reporting date, I am unable to do so. You may wish, however, to indicate whether you would wish to be interviewed in case it is possible to make some subsequent arrangement. This might depend on how many organisations would want this further opportunity to comment.

Please send your answer by mail or fax in time to reach us by 24 March. If you have any questions about this review, please contact Tanya Howlett on the number below.

I intend to have prepared a summary of all the responses to this letter and I will send you a copy, probably towards the end of April. In anticipation, I would like to thank you for any help you can give me with this review.

Yours sincerely

Don K Hunn
Reviewer

Ministerial Inquiry into the Department of Work and Income
Phone: 04 916 3456 Fax: 04 916 3548
Postal Address: c/- Hon Trevor Mallard, Office of the Minister of State Services, Parliament
Buildings, Wellington

Annex D

Analysis of submissions received from the public including groups and individuals

Executive Summary

Responses included written responses covering 153 groups or individuals. There were a number of issues raised regarding the way WINZ does its business. However there were also a number of recommendations on how to deal with those issues.

The key issues raised were:

- Staff attitude, knowledge and availability
- Communication problems
- Beneficiary autonomy
- Environmental aspects
- Payment issues

The key recommendations were:

place more time into training staff in:

- legislation and policy
- staff interpersonal skills
- introduce a level of specialisation
- reduce Case Manager loads
- review the 0800 number as the only point of contact
- review Community Employment application process, and where the Community Employment Team are based
- review the student loans and allowances and child care subsidy procedures
- provide areas where beneficiaries and staff can discuss information in a more private environment
- replace job boards and access to PCs for CV preparation for beneficiaries

Context

Cabinet approved a ministerial review into the Department of Work and Income (DWI) on 14 February 2000 [CAB (00) M 4/11 refers].

The review was tasked with answering nine questions outlined in the terms of reference for the review. The Terms of Reference also stated that the review should "*draw on the views not only of Ministers and the management and staff of WINZ, but also of a range of clients and stakeholders around the country both within the Government and Social Sector.*"

Submissions from the public were announced by the Minister for State Services Mr Mallard through a media release and closed on the 17th March 2000. Submissions were still accepted until the 24th March 2000.

Purpose

This paper summarises the responses from the public who responded to the review as individuals or groups. This paper outlines the nature of responses and the key issues raised. It also breaks down this information of the number of respondents by type, specific area of

concern, and outlines the positive and negative issues raised, also the possible solutions proposed.

Categories of Respondents

Responses were received from 153 groups or individuals. There were 88 or 58% from groups and 65 or 42% from individuals.

There was one petition about student loans and allowances from the Green Party that held 333 signatures. The suggestions in this petition had been already made in the individual or group responses and as such are included in this report.

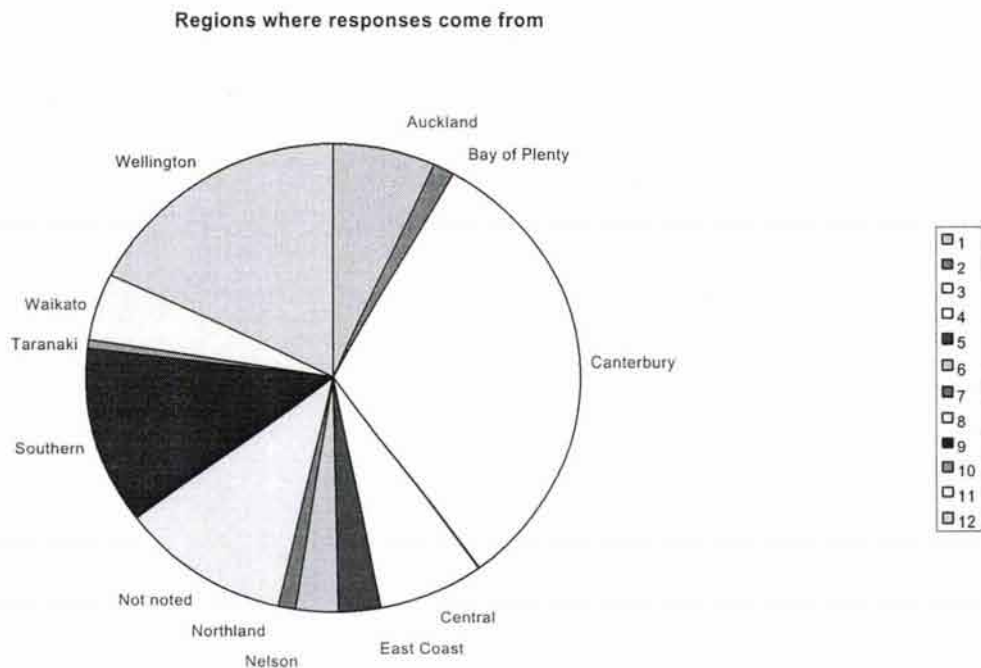
There was also a petition presented to the Minister of State Services from students after a protest march through Wellington. This contained 101 signatures. Most comments on this petition could not be summarised.

It should be noted that a number of submissions commented on the short time frame that they had to prepare submissions.

Where Respondents submissions came from

131 of the respondents noted where they resided. This information is graphed below.

It was interesting to note that 47 of the responses were received from the Canterbury region and 18 from the Southern region. This equated to 50% of all respondents who noted their address coming from the two South Island regions.



Categories of Response

Reponses were divided by summary headings. A percentage has been calculated based on the total number of responses against each summary heading or sub heading. This is intended only as an indication of the numbers of issues submissions spoke too. Some submissions covered a number of the areas and comments were written under each heading as it applied to that submission.

Heading	Sub Heading	Sub Heading	Sub Heading	Subheading
Category from terms of reference	Strengths and weakness 35%	Style and Culture 7%	How the Departments viewed 58%	
Specific benefit area	General 66%	Student Loans and allowances 21%	Community Employment 10%	Childcare subsidy 4%
Experience with staff 33%				
Following policy and legislation 5%				
Communications 17%				
Property Management 4%				
Information Technology 2%				
Amalgamation 6%				
Suggested improvements 33%				

Although this review is about DWI since amalgamation a lot of the issues relate to general operating process that do not appear to be specific to post amalgamation.

There were many views expressed, some positive, many negative, however a lot gave constructive advice and recommendations on how to make things better.

Summary of Feedback

The key issues the respondents raised were:

- General issues
- Student Loans and Allowances
- Community Employment
- Childcare Subsidy

General issues

On the whole there were several themes that were quite clear from respondents. These are grouped as positive and negative views and a sample of quotes from the submissions that support these views. The general issues accounted for 66% of responses, with the two petitions are excluded.

Positive

- A number of submissions commented on the Property Management team. Comments included their professionalism and commercial acumen
- There were many positive comments about individual staff
- There was empathy in many submissions regarding high case loads and the amount of information staff were required to know
- The Compass Programme and Training Incentive Allowance are seen as excellent programmes with some reservations about the way TIA is paid

Negative

- Direct communication with case managers is very difficult
- Staff attitudes threaten and intimidate beneficiaries
- People unable to access emergency assistance
- Receiving different response to the same question between offices and at call centres
- Staff do not advise customers of their full entitlement
- The removal of job boards and access to PCs for CV preparation is a bad move
- The physical environment of reception and the office is too open and everyone can hear others personal business
- When DWI contracts with providers the contract states that a certain percentage of their customers must be referred by DWI. However work brokers are not referring enough people
- The 0800 system for appointments is not working
- The benefit review and appeal process needs reviewing
- Benefit advocates commonly believe that it is only with their assistance that beneficiaries receive full entitlement

Positive Quotes

"The WINZ Property team exhibit the highest standards of professionalism and commercial acumen. We would rate this WINZ Team in the top 5% of private sector property teams and the top government property team to deal with"

" Staff are friendly, helpful and genuinely interested in the welfare of their customers. There is the odd report about WINZ staff being judgmental or unfair, however I have

not experienced this with current staff. The only problem seems to be their high case loads and they have all had to work through a lot of changes in the past 18 months"

"I have found staff to be a truly dedicated and hard working people giving their customers their best service"

"Unfortunately the dept has been the subject of adverse publicity around some mistakes and errors. This has developed into a media campaign based around the personality of the CE. This has had the effect of detracting from the services delivered by the dept, and staff of the organisation has borne the brunt of political and public pressure. This situation creates an expectation that the Department cannot deliver on its purpose, that it is wasteful and lacks competence. This is not a fair or accurate assessment and only serves to make service delivery more difficult"

Negative Quotes

"Approached WINZ via the 0800 number and was given an appointment 3 weeks away, when I arrived it was not on the computer and I was given another appointment in another 3 weeks. I complained and ended up seeing the Manager that day"

"WINZ fail to inform individuals of their entitlements and are perceived to be on some sort of monetary bonus if they refuse a request"

"WINZ has lost sight of its goals in relation to those in need of some sort of assistance due to their circumstances. WINZ offices are like a factory production line, get them in, process them and get them out"

"When a case manager is absent no other staff member will take responsibility"

"The 0800 system is a nightmare, have to wait two to three days for my caseworker to get back to me"

"WINZ general policies appear to be inconsistent with the training policies of SKILL NZ. WINZ determination to put people into employment at any cost. Providers were told that WINZ work brokers would refer clients to vacancies, however only 5% of available places are filled. Work Brokers who recommend beneficiaries go on a particular course undermine many providers. The overall impact has seen the destruction of effective training programmes in the Kaikoura District"

"The lack of a formal published procedure for complaints regarding management and treatment needs to be urgently addressed"

"Improvements could be made in the security of staff and premises, there is a lack of space in some offices and this impacts on the privacy of clients and staff"

Summary – General Issues

Responses in this category are generally reflected in the quotes above. Many of the people or organisations had a number of ideas on ways to improve these issues. Some suggested an element of specialisation.

One of the more frequent suggestions was for the caseloads of Case Managers to be reduced and staff to receive more training. A Hamilton submission summed this particular recommendation up

“I suggest that more staff are needed to manage current work loads and additional training and support resources be put in place to enable staff to respond more effectively to their clients”

Some responses felt that the Department needed to move away from the solely economic base of departmental decisions and attitudes and be replaced by a more socially responsible department.

There was also a call for the simplification of benefits and tax concessions so applicants would be able to better understand their entitlements.

Community groups felt that DWI staff needed to learn more about the community groups that work in their districts.

Phone systems were widely criticised and many submissions spoke of the need to talk to a “real person” and be able to contact their Case Manager when required. This prompted calls for Case Managers direct lines to be on letters, not the 0800 number, and for Case Managers to be able to respond to customers on the same day.

More staff training in policy and legislation was seen as very important. Many of the submissions spoke about incorrect information, different responses to the same question and staff not understanding the difference between the Social Security Act and the policy derived from it.

Student Loans and Allowances

There was general dissatisfaction from respondents regarding student loans. Below is a sample of quotes from the submissions that support these views.

The submissions can be summed up under the following headings:

- Staff attitude and training
- Forms lost
- Delays in processing
- The 0800 number and call centre staff

Quotes

“Treated like an idiot”

"Staff are helpful, courteous and friendly however I think the volume of work is overwhelming. Instances of wrong information given and students unable to buy rent, food etc"

"Sent from one office to another then back with no clear entitlement"

"Staff are seen on the whole as ineffective, untrained, unaware of Case Managers schedules"

Applications declined incorrectly then granted still waiting for payment 3 months later"

"All necessary forms completed but required more forms, duplicates, triplicates of those already completed"

"the hold-ups and inconvenience experienced by so many students means that any goodwill that existed to WINZ has been severely eroded"

"been waiting for 3 months for confirmation of student allowance and loan"

"Some students have had to give up study because of the problems"

"Delays in loans, costs passed onto agencies"

"Waiting times of up to one hour, or listening to the answer phone over and over again"

"With few exceptions students are frustrated by the call centre system, the waiting times and the frequency of being told to call back"

"Constantly calling help line and being cut off"

"Call centres do not record all calls and do not date applications, a proper paper trail is not kept"

"Information is lost and it becomes the word of the staff member against the word of the student"

Summary

i. Student Loans

Submissions on Student Loans and Allowances accounted for 21% of the total of all submissions.

The general theme was of a very high dissatisfaction with the way that DWI have dealt with student applications.

Statistical information presented to the review from Victoria University showed a 92% increase in applications for financial assistance from Victoria's hardship fund over the previous year. They also advised that due to delays in payments in 1999 and 2000 they have had a 639% increase in the amount of money loaned or granted.

Submissions clearly felt that the DWI staff dealing with loans and allowances needed to have been increased, receive more training and be trained earlier. Submissions also stated that DWI should have also listened to University staff who clearly advised them that more staff would be needed than were employed.

There was some comment on the complexity of the Ministry of Education regulations and that the Providers and DWI need to transfer information in order to get all the details.

Despite all this the majority asked for DWI to keep student loans however improve the current system. It can be summed up by a recommendation that said

"Undertake major consultation prior to the exercise for 2001. Engage telephone staff early and train thoroughly using experts from various institutions. Developing a tracking system, prepare advertising material earlier and provide more resource at peak times. All WINZ offices should be on line to Palmerston North. Applications should be lodged and checked locally. WINZ should also be prepared to enter into a service level agreement with education institutions"

ii. Community Employment

Community Employment accounted for 10% of the submissions and was a subject that had very strong views especially since its amalgamation into DWI. Below is a sample of quotes from the submissions that support these views.

The main themes that occurred were:

- Community employment has not amalgamated well with DWI
- The staff were hard to contact
- Inflexible system led nationally
- Applications not processed in a timely manner

"we are concerned that Community employment may alter to fit the WINZ culture and become less effective"

"The structure is highly centralised creating inflexibility, the Regional Commissioners are largely impotent in their ability to create a team structure responsive to regional conditions"

"The cell phone contact to advisors is not an option for a non profit organisation"

"Its been four months since applying for funding but have received no acknowledgement that the applications been received or when our organisation is likely to receive funding. We are unable to start on time or plan the years programme, and if the programme is not approved soon we will be unable to pay workers"

There was a unanimous call from Canterbury for community employment contracts to be on a three year basis and for money to be spent regionally. There appeared to be a striking similarity in the views of the Canterbury responses.

The overall call from groups was for Community employment to work from a base separate to DWI but central to the community and that they can be contacted via a land based phone. Funding should be provided on a longer term basis that is currently available, and urgency

be given to acknowledging funding requests and processing funding applications in a more timely manner. There was also a call from groups who receive the funding for better support from DWI work brokers. Often the CEG contracts state a certain number of the placements on the courses are filled by DWI referrals, this is apparently not happening in a number of cases.

iii. Childcare Subsidy

The key issue the respondents raised was that the change in the childcare subsidy process does not work. Below are samples of quotes from the submissions that support these views.

"The new system is ineffective and financially costing to individual centres"

"There are lengthy delays in approving subsidies and correcting miscalculated payments. This is due in part to a high turnover of case workers also Centre staff and parents being unable to access accurate information. The new system is a real nightmare and Centre staffing cannot be planned due to the uncertainty of payment"

"The system pays the centre for the hours approved for the child. Parents have to call an 0800 number on a Friday to report any absent hours of their child, a debt is then established against the parent who then seeks reimbursement from the Centre so they can pay back WINZ"

Childcare subsidy was the third highest area of concern for respondents. It was 4% of the total number of submissions and the issues raised were of serious concern to Childcare centres and parents alike.

There was total agreement from all submissions that the current child care payment process is not working and a number of respondents suggested methods to fix this.

There was a general consensus that Childcare subsidy should be processed by specialised staff, with a suggestion that all subsidies move to a centralised system. Prior to any changes, consultation with childcare providers is sought.

Conclusion

The conclusions are grouped under the Terms of Reference headings. A number of issues cross the boundaries of the terms of reference. Where this happens the issues are placed in each area. Some of the submissions directly contradict each other.

These results however are based on this one particular group of submissions only and will need to be viewed in the wider context of all the information available to the review.

e) What are the current strengths and weaknesses of the department and what could be done to remedy the latter?

Strengths	Weakness	Remedies
	Physical Environment <ul style="list-style-type: none"> • The physical environment of reception and the office is too open and everyone can hear others personal business 	<ul style="list-style-type: none"> • Provide areas where beneficiaries and staff can discuss information in a more private environment
Staff <ul style="list-style-type: none"> • Staff are friendly and helpful • Staff are truly dedicated and hard working giving their customers their best service • Have received really good service from a number of individual offices 	Staff <ul style="list-style-type: none"> • Staff attitudes threaten and intimidate beneficiaries. • Receiving different response to the same question between offices and at call centres. • Staff do not advise customers of their full entitlement • Caseloads are too high. • Direct communication with case managers is very difficult 	<ul style="list-style-type: none"> • place more time into training staff in; legislation and policy skills that will enhance personal development • introduce a level of specialisation • reduce case loads
	Communication <ul style="list-style-type: none"> • The 0800 system for appointments is not working 	<ul style="list-style-type: none"> • Review the 0800 number as the only point of contact
	Community employment <ul style="list-style-type: none"> • When DWI contracts with providers the contract states that a certain percentage of their customers must be referred by DWI. However work brokers are not referring enough people • Applications taking months to approve applications • Community does not 	<ul style="list-style-type: none"> • Review this process

	know where to contact CEG	
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g) What are the principal features of the style and culture developed by the department? Do these need to be re-examined in the light of the current Government's preferred approach to public sector management?

Style	Culture	Re-examined?
	<ul style="list-style-type: none"> concerned that Community employment may alter to fit the DWI culture and become less effective 	<ul style="list-style-type: none"> Yes
<ul style="list-style-type: none"> The removal of job boards and access to PCs for CV preparation is a bad move 		<ul style="list-style-type: none"> Yes
<ul style="list-style-type: none"> DWI viewed as having lost sight of its goals 		<ul style="list-style-type: none"> Yes
<ul style="list-style-type: none"> DWI branding is in line with other Service Delivery organisations, the fit out of DWI Service Centres is modest compared for example with Workbridge centres. The ideas & practices being developed in the discipline of social marketing are very well developed in other countries as well as in public health and traffic safety in NZ 		<ul style="list-style-type: none"> No

h) How is the department viewed by its clients and stakeholders? What bearing do these views have on the department's ability to fulfil its purpose?

How is the Department viewed?	Bearing on the Departments ability to fulfil its purpose?
<ul style="list-style-type: none"> • Direct communication with case managers is very difficult • People unable to access emergency assistance • Cell phone access to CEG staff is not an option for a non profit organisation 	<ul style="list-style-type: none"> • Case Managers unable to be freely available to beneficiaries • Dept unable to assist when required • CEG staff may not be providing the required assistance that groups need
<ul style="list-style-type: none"> • The childcare subsidy programme is not working 	<ul style="list-style-type: none"> • Childcare centres are not being paid correctly
<ul style="list-style-type: none"> • The student loans and allowance system is not working 	<ul style="list-style-type: none"> • The Department is unable to process these entitlements quickly or efficiently enough
<ul style="list-style-type: none"> • Benefit advocates commonly believe that it is only with their assistance that beneficiaries receive full entitlement 	<ul style="list-style-type: none"> • This perception can lead to more time being used in review and appeals by the Dept
<ul style="list-style-type: none"> • 100% support and respect for the Property Management team 	<ul style="list-style-type: none"> • Build on this aspect
<ul style="list-style-type: none"> • Many positive comments about individual staff 	<ul style="list-style-type: none"> • Build on this aspect
<ul style="list-style-type: none"> • Empathy for staffs high case loads and the amount of information staff need to know 	<ul style="list-style-type: none"> • Build on this aspect
<ul style="list-style-type: none"> • Compass and Training incentive programmes seen as excellent programmes 	<ul style="list-style-type: none"> • Build on this aspect
<ul style="list-style-type: none"> • The Department has been the subject of a media campaign based on the personality of the CEO. 	<ul style="list-style-type: none"> • This issue should not be allowed to detract from the way the Department works
<ul style="list-style-type: none"> • Community groups felt that staff needed to be more aware of their roles 	<ul style="list-style-type: none"> • Follow up this aspect to ensure that this information is freely available to staff

Annex E

Analysis of Responses from Department of Work and Income staff submissions

Executive Summary

Written responses from 228 employees were received. Over two thirds of responses were written by front line staff: case managers, work brokers and Community Employment staff.

The key issues raised were:

- The role of the case manager;
- The culture of DWI;
- Staff morale;
- Staff turnover;
- Information technology;
- Key performance indicators;
- The impact of the integration of services on Employment Services; and
- Community employment.

The analysis of responses indicated a number of benefits resulting from the integration of services:

- The 'one stop shop' concept;
- Being part of a team with improved emphasis on placing beneficiaries into work; and
- Improved level of professionalism in the delivery of services.

Conversely there was also concern expressed that a number of issues arising from the integration of services had been understated or ignored and respondents made suggestions for improvements. The following issues were raised and suggestions made:

- Case manager workload and the complexity of the information required by an individual to provide an accurate service needs to be reviewed;
- Some type of specialisation for case manager and work broker positions should be considered;
- The culture of the organisation must be able to recognise diversity of thought and allow honest feedback;
- The need for a single, national Information Technology infrastructure that is owned by DWI;
- Key Performance Indicators need to recognise quality of work alongside placement numbers;
- Further work is required on enhancing the proactive role of DWI to help job seekers find employment and to work proactively with employers; and
- Community Employment work requires urgent attention to examine its place within DWI and to ensure it is currently delivering the Government's objectives.

Context

In December 1999 a Ministerial Review Team was set up to examine the current activities and the future direction of the Department of Work and Income. Submissions were called from both from the public and from employees. The deadline for departmental responses was 20 March 2000. A number of late responses were received and these were included in this report.

Purpose

This paper summarizes the responses from employees. The paper outlines the nature of responses and the key issues raised by respondents. It also provides a breakdown of the number of respondents by stated job type and location.

The analysis of the responses revealed several common themes and this report outlines the positive and negative issues raised by respondents.

Categories of Respondent

Responses covering 228 employees were received². The majority of responses were from individual employees. Fourteen responses were from groups of two or more and these group responses accounted for 134 staff.

Over two thirds of responses were written by front line staff; Case Managers, Work Brokers and Community Employment staff. A number of responses were also received from support staff, from the Benefit Crime team and from line managers. Some respondents provided no details on their position in the organisation (see Attachments One and Two for a breakdown of respondents by position).

The majority of respondents were based in the North Island. A number of respondents gave no indication of their location (see Attachment Three for a breakdown of respondents by location).

Categories of Response

All respondents expressed strong views. In almost all instances staff indicated a personal commitment to delivering the best service possible to their clients. However there was a range of opinions on the introduction of specific policies and the change of delivery approaches.

A small number of respondents were unqualified in their support for the changes that had occurred in DWI since the integration of services. The majority of respondents expressed qualified support with specific recommendations on how to make the current organisation and work processes operate more efficiently and more effectively for staff and clients. A smaller number of respondents expressed qualified opposition to changes and a handful stated outright opposition to the merging of the four functions into one department.

Summary of Issues

The key issues raised by respondents are grouped under the following headings:

- The role of the Case Manager
- Information technology
- The culture of DWI
- Staff morale
- Staff turnover

² Four responses were from recent employees.

- Key Performance Indicators
- The impact of the integration of services on Employment Services
- Community Employment.

i. The Role of the Case Manager

'The sizing of Case Managers' role is far too big.'

'The role of the case manager now encompasses such a large description of duties that it is now too large for one person to be able to complete the job to a satisfactory level'.

The role of the Case Manager was the most frequently raised issue. All respondents who identified as Case Managers had a view on the new role and most front line staff commented on the expanded role of the Case Manager. All expressed qualified support of the 'one stop shop' concept but most front line staff wanted significant changes to their workload and content so that their role can be managed in a way that better delivers services to the client.

A key issue was caseload. Staff commented that the maximum case load of 195 was misleading as it only counted the primary applicant and did not account for partners which frequently raised the case load to 260. A number of respondents argued for caseloads of 80 - 120.

The complexity of the knowledge of products and services that was required by the Case Manager was raised. It was commented that complexity combined with workload adversely effected the accuracy of information delivered to clients. A number of respondents argued for a simplification of current policy and some made specific recommendations to streamline processes either operationally, by policy or by legislative change.

There was a general view expressed that benefit work tended to dominate the work of the Case Manager. Front line respondents commented that time was not available to provide quality time for employment placements and that the urgency of providing benefit assistance tended to dominate.

While there was widespread support for a 'one-stop shop' the majority of front line respondents argued for a level of specialization. Some explained that this was already happening in their office and a degree of specialization worked well. There were suggestions that Case Managers could differentiate between work tested and non-work tested clients. Other respondents suggested a specialist Case Manager could deal with certain groups of benefits.

An issue raised a number of times was the level of administrative support, particularly the need to have a receptionist to ensure adequate support to staff and clients.

ii. Information Technology

'Much of the IT of the department is in disarray'

'On a day to day basis, this has been one of the most frustrating for me personally'

'An internal issue for staff is having to duplicate loading customer information onto the two separate systems being Income support's SWIFTT and the Employment Service's SOLO.'

Information systems were raised across the board. A number of respondents regarded this issue with extreme frustration while others identified it as the next key process to be addressed by the organisation. Staff identified lack of training, downtime, lack of integration between the two systems and unnecessary duplication of information as key problems. The current situation is described as unwieldy and some respondents recommended that DWI should have its own information system to replace the existing systems.

Respondents who commented on the Community Employment Group all identified a lack of access to information systems and problems arising from the run down of PRISM.

iii. Culture of DWI

'Things have not worked out, notably the lack of integration of two cultures.'

'Staff at all levels are scared to speak out as it could result in a loss of employment or affect performance based payments.'

'It's more important to be seen to be doing a job rather than actually achieving a measurable result.'

All respondents were aware of a change in desired organisation culture with the establishment of DWI. A number of respondents described the positive impact that the CEO had brought into the new organisation. Some respondents described the change as a culture of personality, some viewed this positively and others negatively.

The culture was seen as alternatively empowering and highly prescriptive. Those in the front line tended to regard local management as lacking in flexibility to adapt to local needs. A number argued that 'one approach did not fit all' and that local teams should have the ability to structure their work to meet local conditions.

Some respondents commented on attitudes within the organisation that threaten to derail the current managerial direction. Two common themes from respondents were; a lack of trust and the inability of senior managers to cope with diverse views within the organisation.

Many front line respondents commented that senior management did not welcome feedback that differed from the current policy direction. There was comment that you "towed the line or you left". This seemed to offend a number of respondents who expressed a dedication to their job and felt that their suggestions if acted on would be beneficial to the department.

iv. Staff Morale

'I am extremely proud to work for WINZ'

'Constant negative reporting has a serious effect on staff morale'

The analysis of the responses showed that there were many positive comments about working for DWI. However the majority noted that morale had been effected by the bad

publicity that DWI has attracted. The majority argued that the negative publicity did not fairly reflect the commitment of staff. Some respondents indicated that as a result of bad publicity some clients and the public had felt justified in abusing staff verbally. A number suggested that comments to the media from Ministers did little to enhance the credibility of DWI.

v. Key performance indicators

'The advent of KPI's, and the use of these to focus performance, has meant that staff are more focused on numbers than customers'

'Strong performance measures and compliance requirements dominate service centre managers'

Respondents raised the impact of the KPIs they now worked to. While managers and support staff were more likely to support the value of KPIs front line staff commented that they created stress. There was concern that KPI's placed too much emphasis on numbers rather than people, that they didn't recognise staff effort and that they took away the incentive for centres to work co-operatively with each other. There was concern that the KPIs focused on the quantitative success of the Case Manager and not on the quality of the service they provided.

The accuracy of placement figures was questioned by some and it was suggested that placements were created to get the numbers, that placement could be for very limited employment periods and that subsidies could be used in lieu of benefits.

vi. Staff Numbers, Turnover and Attrition

'The high staff turnover reflects the unrelenting pressure on staff and lack of support by manager.'

'The loss of experienced staff is now showing up in what the public see as poor WINZ performance'

Respondents perceived that the department has a high staff turnover. Depending on the respondent's personal experience this was seen as happening in certain locations, certain positions and to certain types of employees. The importance of training was raised and the adequacy of some training was questioned. Front line staff were concerned about a lack of experience of new staff.

A number of respondents commented that management turnover also generated uncertainty.

Respondents indicated staffing levels were too low in some areas and organisational structures too rigid. A range of respondents raised the need for administrative staff to support local offices.

vii. Impact of Service Integration on Employment Services

'There is also the immediacy of the income side which can overshadow the work side.'

This has not been cultural integration exercise; it has been the imposition of a culture'

'The only real effect (of changes) is to reduce the number of Job Seekers making a habit of coming to our site to look for jobs'...

A common perception was that instead of an integration there had been a takeover by the Income Support Service. Some respondents felt that NZES staff were regarded in an inferior light and that this had led to a large number of NZES staff leaving the organisation.

A number of respondents praised the department's success in reaching job placement targets. Others argued that employment and training referrals were overwhelmed by income work with the result that time spent on job training and placements had reduced.

Some respondents perceived that the proactive role of the former NZES had diminished as a result of the merger. Comments included complaints that employers now had to line up with beneficiaries, that there are not enough interview rooms, that job boards have been replaced with old computers and that there was no longer a position that focused solely on proactively finding work for job seekers.

viii. Impact of Service Integration on Community Employment Group (CEG)

'Community Employment is the poor relation to the rest of WINZ.'

'... things are getting worse not better.'

'WINZ has not understood or accepted the philosophy of CEG.'

Some respondents indicated that the lack of credibility of DWI in the public perception has tarnished the community's perception of CEG. A few respondents argued that better coordination was now possible but the majority stated that the new management structure for CEG is unsatisfactory. In particular it was stated that the removal of the Community Employment Regional Manager structure has led to a lack of support and direction.

Logistical support for CEG staff was reported as inadequate. Respondents identified a lack of basic resources such as telephones, laptops and office space. Respondents raised the removal of Community Employment's database PRISM as a major problem. In rural areas staff commented that cell phones had inadequate coverage. A number of respondents stated they had little or no access to email or intranet.

Respondents felt DWI had a poor understanding of community employment, that local decision-making was being undermined by inexperienced DWI staff and that the stalling of funding applications was a major problem. Some respondents stated that with the integration of services the community is now confused about how to access funding. A number of respondents complained about the lack of a Maori strategy.

Nearly all respondents questioned the place of CEG in a structure *'that is about benefit control'*. Most respondents commented that the future of CEG was uncertain and a number went on to recommend the immediate removal of Community Employment from DWI.

Conclusion

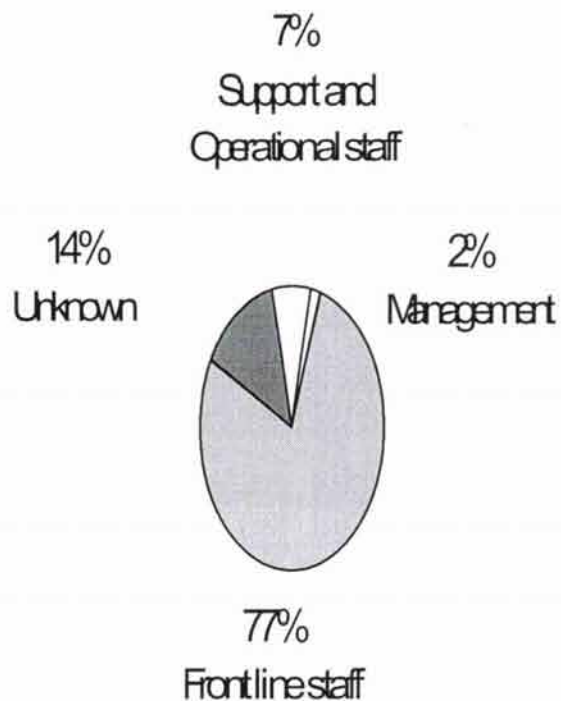
The analysis of responses indicated a number of benefits resulting from the integration of services:

- The 'one stop shop' concept.
- Being part of a team with improved emphasis on placing beneficiaries in work.
- Improved level of professionalism in the delivery of services.

Conversely there was also concern expressed that a number of issues arising from the integration of services had been understated or ignored and respondents made suggestions for improvements. The following issues were raised and suggestions made:

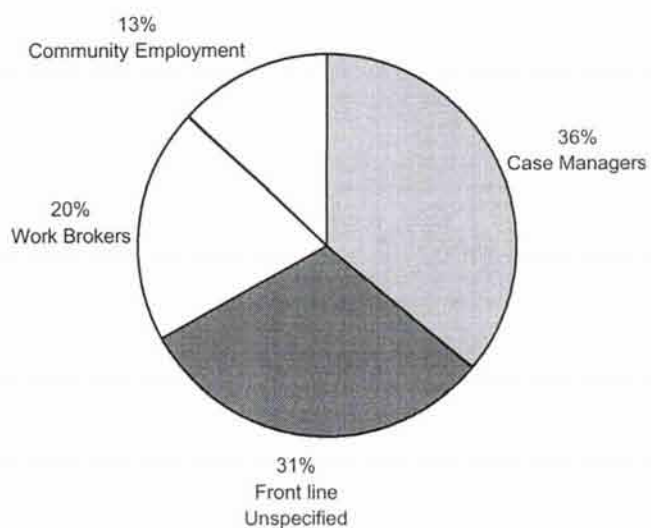
- Case Manager workload and the complexity of the information required by an individual to provide an accurate service needs to be reviewed.
- Some type of specialisation for Case Manager and Work Broker positions should be considered.
- The culture of the organisation must be able to recognise diversity of thought and allow honest feedback.
- The need for a single, national IT infrastructure that is owned by DWI.
- KPIs need to recognise quality of work alongside placement numbers.
- Further work is required on enhancing the proactive role of DWI to help job seekers find employment and to work with employers.
- Community Employment work requires urgent attention to examine its place within DWI and to ensure it is currently delivering the Governments' objectives.

Positions Held by Respondents



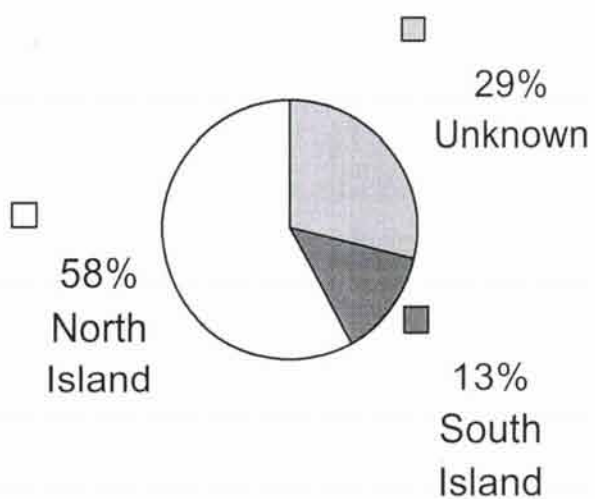
Attachment Two

Breakdown of Front Line staff



Attachment Three

Location of Respondents



Annex F

Analysis of Responses from Staff Focus Groups

Executive Summary

Focus groups were held with 351 staff of the Department of Work and Income (DWI), from different positions and locations around the country. This paper summarises the views of staff and presents conclusions based on those views.

Staff were mainly positive about the Department and its progress in integration. Points raised in focus groups around the country were consistent, however there was some variation in how people positioned the points they raised. Most staff were positive and presented the issues they raised as fine tuning, however some staff felt more strongly about the issues.

Common themes for Service Delivery staff were support for integrated case management, workload issues, concern about performance measures, need for local flexibility, information technology issues, ideas on training requirements, impact of media coverage and political criticism, and a variety of views on culture and style.

Debt, Benefit Control and Call Centre staff appeared to have less feedback. The common themes in these areas were desire for some certainty about future direction and concern about media coverage and political criticism.

Overall staff were positive about DWI as an integrated organisation and many gave a strong message about not wanting to 'go back'. People did however, see room for improvement to be made in moving forward.

Context

Cabinet approved a ministerial review into the Department of Work and Income (DWI) on 14 February 2000 [CAB (00) M 4/11 refers].

The review was tasked with answering nine questions outlined in the terms of reference for the review. The Terms of Reference also stated that the review should "*draw on the views not only of Ministers and the management and staff of WINZ, but also of a range of clients and stakeholders around the country both within the Government and Social Sector.*"

To identify the views of management and staff the review team visited DWI locations around the country between 13 March and 30 March 2000. The review team held hour-long discussion groups of approximately 5-15 staff from a range of levels and units within the department. Staff were asked to concentrate on 'DWI in the future'.

Purpose

Detailed notes were taken for each focus group. This paper summarises their responses and provides information on the participants and major feedback areas. The paper focuses only on the feedback from staff and reaches conclusions on that basis. Final conclusions based on information from a variety of sources will be included in the final report.

The paper does not include details from meetings with members of the DWI Leadership Team and does not summarise the policy issues raised by staff but rather focuses on organisational aspects. Written submissions received from staff are analysed in a separate paper.

Categories of Participants

In total 351 Department staff participated in focus groups with the review team. They involved staff from a range of the Department's units and included representatives from:

- 9 of the 13 Service Delivery regions
- 3 of the 4 Call Centres
- 2 of the 4 Debt Units
- 3 of the 12 Benefit Crime Units

Business Unit	Region (and sites staff represented)	
Service Delivery	Auckland regions (3 regions mix of sites)	78
	East Coast (Napier, Flaxmere and Hastings)	29
	Nelson (Nelson, Richmond, and Greymouth/Westport)	49
	Canterbury (mix of Canterbury sites)	33
	Central (mix of Central sites)	28
	Northland (mix of Northland sites)	47
	Waikato (mix of Waikato sites)	39
Call Centres	Auckland, Christchurch and Hamilton	28
Benefit Crime & Debt	Auckland, Napier and Christchurch, Hamilton	20
TOTAL		351

Participants also included staff from different levels in the organisation. Within the Service Delivery focus groups were Regional Commissioners, Regional Operations Managers, Service Centre Managers, other regional management team members, Community Employment Advisors, Work Brokers, Case Managers and support staff. The focus groups with the Call Centre, Debt and Benefit Crime units also included a mix of managers and staff.

Categories of Feedback

Almost all staff, particularly those from the Service Delivery part of the department, were positive about the integrated service, 'one-stop-shop' model and a number made positive comments about the Chief Executive. At the same time they identified a number of issues which they felt needed to be resolved. The basic stance most people took was 'we like the new organisation but looking at these areas could improve it'.

Some staff felt more strongly about the issues they raised. In the main however, these people still thought the 'one-stop-shop' and integrated case management were better for clients.

Summary of Feedback

A number of consistent themes emerged from the Service Delivery focus groups:

- Support for integrated case management
- Workload issues
- Concern about performance measures
- Need for local flexibility
- Information technology issues
- Training requirements
- Impact of media coverage
- Culture and style

Benefit Control and Debt Unit staff were generally satisfied with their areas although several common themes emerged:

- Uncertainty about future direction
- The need for a prevention focus
- Impact of media focus and political criticism
- Impact of merger on Case Managers

Call Centres key areas of feedback were:

- Future direction and role of Call Centres
- Technology
- Relationship with front-line

Service Delivery Feedback

There was significant variation across the Service Delivery regions in how strongly people felt about the messages they were conveying. In the main, the smaller sites in smaller locations felt more strongly about continuing in the direction of integrated case management and saw the issues they raised more as opportunities to improve the service they were providing. People in the larger metropolitan areas (Christchurch and Auckland) with large Service Centres tended to feel more strongly about issues like specialisation and workload.

Support for integrated case management

Almost all the Service Delivery managers and staff involved in the focus groups were supportive of the combination of an income and work into integrated case management. Comments referred to:

- the job satisfaction case managers got from placing people in work
- the ability to view their clients holistically
- increased client satisfaction
- clients not 'falling between the cracks' the way they used to with Income Support and Employment Service
- improved job satisfaction for case managers and potential for even greater job satisfaction
- the strength of integrated case management for working on particular projects like seasonal work

Many staff felt extremely strongly about this and presented a very clear message to the review team that they did not want to 'go back'. Managers and staff both raised the issue of who would take on the 'income case manager' role if work and income functions were separated – both managers and staff felt this would be a serious issue.

A limited number of staff however, did see that separation of the work and income functions in the case manager role as a good idea. These people saw this as the solution to the issue of the breadth of the role.

Most staff raised concerns about the breadth of the Case Manager role. The major concern was the amount of knowledge they needed. Others also talked about the very different focuses of the mix of clients they worked with.

The majority of staff felt that the breadth of the role could be more effectively managed through introduction of some type of specialisation³. Most thought that a split between work-tested and non-work tested clients would reduce the amount of knowledge case managers required and allow them to focus more on the issues relating to the group they were working with. Some however, did raise concern about the logistical impacts of greater specialisation and the need for specialisation to be managed on a local basis.

Workload issues

Workloads were an issue for all Service Delivery staff we spoke to, although the strength of feeling varied. Some staff said they were working long hours and were under pressure while others emphasised that they could achieve more for their clients if they had more time.

Most Case Managers raised concerns about their caseload levels. Some Case Managers had caseloads that exceeded the recommended level of 195 clients, while others had caseloads closer to 195 but still felt that this was too many to manage effectively. Case Managers had different views of 'ideal caseload' but a general consensus emerged that about 120-150 clients would be manageable. Some staff pointed to the Compass programme as a very successful approach. They suggested that the reduced caseload and specialisation involved in Compass could be a model for wider delivery.

An issue for Case Managers was not counting partners in Case Managers' caseloads. Case Managers said that work-tested partners are individually as much work as other clients so should be counted separately as part of the caseload. Many Case Managers discussed the need for a dedicated receptionist. They felt that rostering reception (or having an increased caseload to compensate for having a dedicated receptionist) had a significant effect on their workload.

The Work Broker role was also perceived as very large. Work Brokers talked about the balance between vacancy management and 'being on the road' talking to employers. Work Brokers felt they could achieve more if they had more time. Some suggested more Work Brokers, others suggested having another position to support or manage vacancies.

Service Centre Managers acknowledged that their staff workloads were high and also felt that their own workloads impacted on their ability to successfully lead their service centres. Service Centre Managers raised administration and reporting requirements, the number of direct reports they had and the frequency of staff performance appraisals as the biggest workload issues. Service Centre Managers suggested another layer (team leaders or a second-in-charge) or an Executive Assistant, to reduce their workloads.

Staff and managers raised the concern that the overall impact of workloads was a very lean organisation with no contingency to cope with situations such as staff sick leave. They suggested having permanent relief staff who could be called on to fill in.

³ Rather than a work/income split

A common theme for Service Delivery staff was concern about the amount of administration they did, and the impact that work has on the more meaningful work they would prefer to do. Staff acknowledged that efforts were being made to reduce administration and work load through introduction of centralised processing, national claims processing, the employer line and application line. Many were very positive about these changes. Staff involved in the application line pilot said it was made a real difference, and Work Brokers commented on the effectiveness of the employer line in removing data entry work. Staff wanted to see these initiatives expanded quickly and also came up with suggestions for further centralisation, for example Child Care Subsidy administration.

Concern about performance measures

Key Performance Indicators (KPIs) and performance appraisals were raised at each Service Delivery focus group. Like other feedback, the extent of feeling about the issue varied.

Some staff and most managers acknowledged the need to have performance measures - they noted that it is important to have targets to strive for and an understanding of what the organisation is trying to achieve. However many were concerned about:

- KPIs driving the wrong behaviour
- KPIs not counting all outcomes
- Manipulation of KPIs and reliability of technology
- 'One-size-fits all' approach – harder in some regions than others
- Unrealistic targets

Overall staff felt that the focus on KPIs was too strong. Some managers commented that some staff respond to KPIs while others do not, so some discretion was required in management.

In addition to concern about the KPIs was concern about the performance appraisal process. A number of staff felt that performance appraisals were de-motivating and that the process limited their ability to access performance bonuses. People raised particular issues such as:

- Inconsistency between Service Centre Managers
- Too negative and focused on things that have not been achieved, not what has
- Alignment with KPIs meant not all achievements were counted
- Inability of the individual staff member to control some outcomes
- Focus on individual performance reduced teamwork and co-operation

Managers talked about the need to take the 'bigger picture' into account for performance appraisals and not to be too pedantic. Managers, like staff, felt that quarterly performance appraisals were too frequent – too time consuming and difficult for staff to improve performance in the short period. Most suggested six monthly as a better frequency with an increased emphasis on coaching and positive feedback between appraisals.

Several focus groups acknowledged that the new performance appraisal system was an improvement on the old one and some were positive about the new appraisal system.

Need for local flexibility

The need for greater flexibility was a common theme across the focus groups. Staff and managers commented on the huge variation in client base, issues and labour market from one region to another and from one site to another. They talked about the need to move from the 'one-size-fits all' to increasing local solutions for local problems. This was particularly

related to the issue of specialisation. While a number of staff supported the general concept of specialisation, particularly between work-tested and non-work-tested, they suggested that this may be best done on a local level where specialisation could be tailored to the particular make-up of clients (for example specialisation in immigrants or youth).

Related to the need for flexibility were concerns about the National Office. Both staff and managers reinforced the importance of National Office understanding front-line reality and understanding the impacts of change on front-line⁴.

Some thought more consultation was the solution while others suggested decentralisation of National Office functions. Communication from National Office and uncoordinated requirements around reporting were also perceived as matters to be improved.

Information technology issues

All of the focus groups mentioned concerns about technology. Issues included:

- Using multiple systems which need to be better integrated
- Reliability and the impact of system unavailability
- Inappropriateness of SWIFTT letters
- Problems with the schedule system
- Systems too complex

While some staff thought that systems were improving and noted that they were waiting for FOCIS deliverables, the overall perception was that existing systems were causing frustrations and increased work, and that technology was not keeping up with changes in Service Delivery.

Training requirements

Training for Case Managers was raised in relation to the merger process and the breadth of knowledge staff needed for the integrated case management role.

Staff and managers emphasised the time required for those from the previous organisations to build up knowledge for the new roles. Managers and staff commented that they were still learning.

While some staff saw specialisation of the role as the solution to the breadth of knowledge issue many thought training could also be improved. There was a particular focus on the induction training and the needs of new employees. Induction training needed to prepare new staff better for the reality of front-line work and support and ongoing training once on site needed be more readily available.

The Team Coach was seen by most as an important and useful role but some commented that more Team Coaches were required. Others were concerned about the reduced emphasis on checking of benefit work⁵ and the effect it could have on accuracy and risk of fraud.

In several focus groups staff raised development opportunities as an issue. These staff felt that there were few opportunities for advancement or development within the DWI structure.

⁴ Some of the comment on National Office appeared to relate to policy development.

⁵ Prior to the introduction of the Team Coach role WINZ had Team Quality Officers whose major role was checking the accuracy of benefit payment assessments.

Impact of media coverage and political criticism

Many staff felt very strongly about the media coverage and political criticism of DWI over the last nine months.

Staff discussion focused on the impact that media coverage was having on their work and also on their perception that the criticism was not fair. Staff commented that the public 'WINZ bashing' made aggressive behaviour acceptable. This seemed to range from constant jibes to an increase in staff concern for their own safety⁶. Staff also commented that the media coverage painted a picture (unfairly) of an incompetent organisation so impacted on client's confidence in them. However, they also commented that the media coverage did not seem to have impacted on employers where positive relationships had already been established.

Some staff also felt very strongly that media coverage was unfair and not balanced. They pointed to lack of coverage of successes, the huge ratio of things done correctly to the few mistakes and the focus on personal criticism of the Chief Executive. Staff felt unsupported by their Minister and felt they, and he, should be able to be proud of their achievements.

Managers also discussed their frustration with the reluctance of the media and local MPs to hear positive messages or learn about DWI.

Staff and managers were keen to understand Government's direction in terms of DWI. They commented on uncertainty over policy and other signalled changes and the need to start planning for next fiscal year now. Managers viewed DWI as ready and willing to deliver Government policies (with some concerns about the extent of change) and staff commented that they 'want to get on with the job'.

Culture and style

Staff and managers talked about a range of different factors relating to culture and style. There was perhaps less consistency of view in this area than the others, with different staff raising different issues.

The message that came out of many focus groups was support for the Chief Executive. Staff commented on the efforts she has made to keep in touch with staff and the motivation they get from her visits, communication and front-line conferences. Staff and managers also referred to the Chief Executive's influence being responsible for the Department being more professional, focused and positive. Others commented on the importance of the Chief Executive's leadership in creating DWI.

Views were mixed on overall culture of the organisation. Some felt that it was a completely new organisation while others talked of assimilation rather than a merger. Some managers commented that they had worked really hard to create a new culture, valuing staff for their individual skills and experience.

Views were mixed on the offices, branding and corporate wardrobe. Among the comments were:

- offices were too 'glitzy'; others thought appropriate decisions had been made around furniture and brand.

⁶ The ACC staff member death last year also seemed to have impacted on staff concern about their safety.

- larger offices were more intimidating for clients - smaller offices worked better.
- Some liked the open plan while others thought more privacy was required
- Some liked the professional element of the corporate wardrobe but others questioned the cost and need to have some flexibility around wardrobe for different circumstances

A theme that emerged from several of the focus groups was a desire for more consultation and discussion between front-line and National Office. Some felt that criticism or negativity was discouraged and that a safe environment for discussion was required.

In terms of communication some staff praised mechanisms such as the intranet, WINZ World and front-line conferences as good ways of getting information on things going on nationally.

Maori staff talked about the need for more of a partnership approach in the region and noted that while there had been some hui, they would like more national hui. Some staff noted that more focus on the needs of Maori staff and clients was required. Suggestions included having more Maori cadets, introducing a programme similar to the 'Support Step by Step' programme and development of local strategies for working with Maori.

Managers in several focus groups raised concern about the perception that DWI is not accountable. They noted that it was ironic to have criticism over accountability now given the extent to which the Chief Executive tightened controls in DWI. Several people commented that DWI was more accountable than ever with business plans, KPIs and monitoring.

Benefit Control and Debt Unit Feedback

Benefit Control and Debt Unit staff were generally satisfied with their areas with some comments indicating that workloads were manageable, training was good and that relationships with Service Delivery and other parts of the Department were strong. Staff from the Benefit Control and Debt Units supported the concept of delivery of integrated services but did not appear to have been greatly impacted by the merger creating the Department of Work and Income.

i. Uncertainty about future direction

Staff and managers in both the Benefit Control and Debt Units expressed uncertainty about what the new Government could expect from them. They felt that changes had been indicated, but were not really certain about what they would mean. This seemed to be particularly an issue for Benefit Control staff, with their change in name and possible subsequent change in focus.

ii. The need for a prevention focus

Both the Benefit Control and Debt staff mentioned the need for a greater focus on prevention. The Benefit Crime representatives talked about case managers placing more focus on gate-keeping eligibility to avoid overpayment. Debt staff talked about the cycle of poverty that debt caused for clients and thought that preventing debt through overpayment and advances needed to be a focus for case managers.

iii. Impact of media focus

Like their Service Delivery counterparts, staff in Debt and Benefit Crime talked about the impact the media attention had on their work. Similarly to the Service Delivery response, the major impacts seemed to have been in terms of staff morale and concerns about staff safety. Debt staff also talked about an additional impact – they perceived that people had been less willing to repay debts as a result of media criticism of the Department.

iv. Impact of merger on Case Managers

Benefit Control and Debt staff were supportive of the 'one-stop-shop' concept although they perceived that the impact of change on Case Managers, and the workloads they carry, was having a resulting impact on levels of debt and benefit crime. They felt that the inexperience of some Case Managers and workload pressures were resulting in Case Managers not identifying potential benefit crime when they might otherwise have.

Call Centres Feedback

Views from Call Centre staff tended to vary according to the Call Centre they worked in. Main themes that emerged were:

i. Future direction and role of Call Centres

Many of the Call Centre staff were very positive about integrated service delivery but some saw conflicts for Case Managers in the balance between work and income.

Staff from one Call Centre talked about needing a clearer understanding of their direction and how Call Centres could play a role in the DWI strategy. They felt that frequent changes in National Call Centre Manager were partly responsible for their feeling of lack of direction.

On an individual level some Call Centre staff expressed frustration with being only a small part of the process – they felt that as a result they did not see the customer outcomes and therefore get the satisfaction this gave Case Managers.

ii Technology

All the Call Centre staff talked about technology as an impediment - they commented that technology had a major impact on the Call Centre environment. Particular issues seemed to be:

- Reliability of technology
- Not getting enough notice of technology roll outs and experiencing problems with roll outs
- Frequency of changes to key tools
- Inability to get new technology tools as required

iii Relationship with front-line

Call Centre staff emphasised the need for close communication links with Service Delivery given the inter-relatedness of their roles. They felt they needed more communication links and that it was difficult to achieve this given the time constraints on Call Centres.

Some staff also talked about feeling like the 'poor relations' of the larger Service Delivery area and talked about the 'them' and 'us' mentality.

Conclusion

These conclusions are based solely on information from focus groups with staff. Final conclusions and recommendations on action need to be based on broader information available.

Staff were, in the main, positive about DWI and delivery of integrated services but felt that it was now time to fine tune or resolve issues that were impacting on them. As one person commented 'the model can work – we need to acknowledge the weaknesses and move on'.

Key areas that require further analysis include:

- Of great concern to a number of managers and staff is the possible split in delivery of work and income services. If this change was introduced it would need to be managed very carefully given the opposition to changing the integrated case management model.
- Related to concern about a work and income split in delivery was the theme of the need for increasing local flexibility. Given the substantial variation in labour market and issues around the country people felt a 'one-size fits all' was no longer appropriate. This needed to be considered in the context of introducing a national specialisation approach.
- Workload issues were raised consistently. While staff acknowledged that DWI was attempting to alleviate this through initiatives such as Application Line, the Central Processing Unit and the Employer Line further consideration would need to be given to this area, whether this involves speeding up expansion of these initiatives or identifying new solutions.
- Concerns were raised about relationships between different units such as Call Centres and Service Delivery. Staff also wanted better communication with National Office and more opportunity to provide input. Increased communication and consultation within the organisation would need to be fostered
- Key Performance Indicators and Performance Appraisals were contentious, particularly within Service Delivery. The management of performance measures should be reassessed.
- Staff felt very strongly about the negative views of DWI caused by media coverage and felt that both political criticism and media coverage had been unfair. In moving forward it would be important to address this issue for staff and to seek to improve DWI's public image.
- Staff in a range of DWI units raised uncertainty about Government direction for DWI. While staff were concerned about proposed changes to integrated case management and did not want to face significant organisational change again, they were keen to understand Government's direction and (as one individual put it) 'get on with the job'.

- A theme that came through in a number of discussions was that people were still learning and the organisation still evolving. A key message from this was to give the merger time to work.

Annex G

Analysis of Meetings with Advocacy Groups

Executive Summary

During March the review team held four meetings with a total of 24 representatives from advocacy groups around the country. This paper summarises key feedback from these sessions.

Advocates raised issues about the Department of Work and Income (DWI) however most of these issues were not new to DWI and existed in the previous Income Support. The advocacy groups made very little comment on the integration of employment and income services within DWI.

A complexity with the feedback from advocacy groups is separating what is linked to Government policy or direction from issues related to DWI itself.

The key feedback provided in the sessions was:

- concerns about implementation of policy – that it has been implemented in a more restrictive way than the legislation requires
- a mix of views on case managers but an overall view that case managers needed more training and lower caseloads
- mixed views on call centre access
- concerns about investigation and prosecution of benefit crime
- mixed comment on the relationship with DWI and suggestions for advocacy groups playing a larger role in providing information for clients and training DWI staff
- corporate environment and terminology is not appropriate to DWI clients.

Context

Cabinet approved a ministerial review into the Department of Work and Income (DWI) on 14 February 2000 [CAB (00) M 4/11 refers].

The review was tasked with answering nine questions outlined in the terms of reference for the review. The Terms of Reference also stated that the review should “*draw on the views not only of Ministers and the management and staff of WINZ, but also of a range of clients and stakeholders around the country both within the Government and Social Sector.*”

To identify the views of advocacy groups who work with DWI clients the review team meet with representatives of a range of groups between 15 March and 27 March 2000. Advocacy groups were provided with a copy of the terms of reference for the review.

Purpose

This paper summarises the views of the advocacy groups. It is intended to focus on the organisational feedback provided by the advocates rather than policy issues. One of the difficulties however, was separating what is policy, linked to policy or Government direction from issues DWI could be expected to manage – the differentiation was not always clear.

Categories of Respondents

The review team had four meetings with advocacy groups, in Auckland, Wellington, Christchurch and Greymouth which covered 24 representatives from 14 beneficiary advocacy organisations. Organisations represented were from the following DWI regions:

- Auckland North
- Auckland Central
- Auckland South
- Bay of Plenty
- East Coast
- Central
- Wellington
- Nelson
- Christchurch

Of the groups represented, 14 could be described as working in major cities, 3 in smaller or more provincial cities and 1 in a remote location.

The advocacy organisations represented included community, religious and Maori organisations.

Categories of Response

All the advocacy groups raised issues about DWI. These were a mix of policy and organisational issues. Some of the advocates gave individual case examples.

The advocacy groups all felt very strongly about the impact these issues were having on their beneficiary clients. Several of the groups also mentioned positives about DWI staff.

Representatives in one of the meetings acknowledged that the clients they worked with were people who were unhappy with DWI so their views may not be representative of all clients.

It is also important to note that the advocacy representatives were clear that the majority of issues they raised were not new to DWI and have been issues for some time.

Summary of Feedback

Feedback covered a range of issues, key areas were:

- Implementation of policy
- Case Managers and Call Centres
- Benefit Crime
- Role of advocates and relationship with DWI
- Corporate culture

Detailed Feedback

This section outlines the key areas of discussion from the meetings the review team held with advocacy group representatives.

i. Implementation of policy

In addition to concerns about actual policy⁷ the advocacy groups raised concerns about the way policy is implemented and operated within DWI. These concerns fell into two broad areas:

- Flawed concept of dependency
- Restrictive interpretation of policy

A number of the advocacy groups raised concerns about DWI's concept of benefit dependency. They talked about concepts such as 'benefit dependency is bad' and 'only paid work is valuable'. It is hard to separate these types of philosophies from policy. Some advocates certainly acknowledged that DWI was applying the previous Government's policy but felt that it was probably the enthusiasm with which it was applied that was inappropriate.

The other significant policy implementation issue for advocates was restrictive interpretation of policy. This seemed to be particularly an issue in areas of greater discretion such as emergency assistance and special benefit. Advocates talked about this happening at several levels – between the legislation and documented policy guidelines and between policy guidelines and training/operational practice. Their view was that this resulted in restriction of policy so that the discretion or flexibility in the legislation has not been applied by front-line staff.

Some advocates felt that there is a deliberate intent to reduce benefit or emergency payments – they talked about staff getting KPI 'points' for reducing payments, while others talked more about lack of knowledge and not enough training.

The advocates view was that:

- staff should receive more training in the legislation DWI administers and on decisions of the Social Security Appeal Authority
- policy documentation and training material should adhere more closely to the legislation
- the focus should be on proactively finding ways to assist clients with financial needs
- greater effort should be made to ensure clients are receiving their full entitlement

ii. Case Managers and Call Centres

A number of the advocates commented that some DWI staff were good, helpful and co-operative. Some of the advocacy representatives also commented that integrated case management was a good concept⁸. They also said that they have had difficulties with some DWI staff and some Service Centre Managers.

Advocates consider that the role of Case Manager was extremely large with caseloads too high - they described it as under funded. They emphasised the need for more training and suggested use of expert staff to deal with difficult benefit decisions.

Advocates had mixed views on Call Centres – in one meeting advocates said they had made access to Case Managers easier, others talked about frustrations in getting access.

⁷ Policy issues were not discussed extensively and are not included in this paper because they fall outside the scope of the terms of reference for the review.

⁸ There was only very limited comment on case management integrating employment and income services. Very few advocacy groups representatives expressed a view on this area.

iii. Benefit Crime

Concerns about Benefit Crime were discussed at all of the advocacy group meetings. The overall view that emerged was that DWI⁹ pursues benefit crime too far. Advocates raised particular concerns about:

- Treatment of circumstances as crime when much of it is inadvertent
- KPIs have driven identification and prosecution of crime rather than quality of investigation
- Policy concerns about treatment of relationships in the legislation and the investigation of these cases.
- Frequency of prosecution particularly for small amounts of fraud
- Calculation of overpayment and penalties and repayment rates
- Accessibility of documentation on overpayments

iv. Role of advocates and relationship with DWI

Advocates commented on their current relationships with DWI and on what role they thought they could play to assist DWI.

Most of the advocates appeared to have had regular contact with DWI, both in terms of contact over individual cases and more general networking. Some of the advocates commented that DWI arranged proactive meetings with them – these were initially for DWI to brief them on changes but have more recently been two-way discussions.

Some advocates raised issues over working with DWI staff on individual cases while others commented that going to DWI with clients helps. Advocates in one meeting also raised frustrations in working with DWI¹⁰ to resolve wider policy and process issues.

Many of the advocacy groups felt they should be funded for the work they did and suggested roles they could take on. Some felt they could deal with preliminary enquiries and provide clients with more detailed information. The most common message was that the advocates could provide input into, or run, training for DWI staff.

v. Corporate Culture

Advocates raised concerns about the terminology DWI uses. They said that the terminology was often very European and hard for clients, particularly Maori, to understand.

Similarly they had concerns about DWI's office environment, describing offices as having a lack of privacy and the cost being seemingly unnecessary.

Conclusion

One of the challenges with much of the feedback provided by advocacy group representatives is determining what is policy, linked to policy or Government direction, rather than issues related to DWI itself.

⁹ Like other areas of discussion this was not seen to be new to WINZ but also an issue in the old Income Support.

¹⁰ Like other feedback this was not seen to be new to WINZ but also an issue in the old Income Support.

In addition almost all of the issues raised by advocacy groups have been issues for a period of time and pre-date DWI. The advocacy groups made little comment on integration and apart from one group who commented positively on integrated case management, few raised views either for or against integration of services.

These conclusions are based solely on information from the meetings with advocacy groups and exclude comments on policy. Final conclusions and recommendations on action need to be based on broader information available.

Key suggestions from advocacy groups were:

- More training for DWI staff on legislation
- Policy implementation and training should be more focused on legislation and the emphasis should be on ensuring full entitlement and meeting need
- Advocates could play a greater role in training DWI staff and providing clients with information if funded
- Treatment of benefit crime needs to focus on quality investigation and target major fraud rather than inadvertent or small scale crime
- Removal of corporate terminology and office environment.

Annex H

Benefit Receipt and Employment Assistance: An Analysis of Trends

Introduction

This note describes trends in benefit receipt and the labour market over the last 15 years. It is intended to provide a context for assessing the extent to which DWI has been successful in its objective of increasing participation by working age beneficiaries in employment.

The information in this note is drawn primarily from the 1999 Post Election Briefings of the Ministry of Social Policy (MSP) and Department of Labour (DoL).

Trends in Benefit Receipt

New Zealand's Benefit System

In New Zealand benefits are funded from general taxation and are paid at a flat rate, based on marital status and the number of dependents. As benefit payments are tested against joint income, a non-earning spouse is ineligible unless the working spouse is receiving a very low income.

The New Zealand system of benefit payments differs from many overseas countries, which frequently combine a system of "unemployment insurance" payments, related to previous earnings or contributions and available for a limited period, with a "social assistance" scheme which pays a lower level of benefit to people who are ineligible for, or who have exhausted their entitlement to, insurance payments.

The main types of benefit in New Zealand are: unemployment benefit (UB); training benefit (TB); sickness benefit (SB); invalids benefit (IB); widows benefit (WB) and domestic purposes benefit (DPB). UB, TB, and SB are now collectively referred to as the "community wage".

The basic features of New Zealand's income support system were introduced in the 1930s. Income support was designed to provide relatively short term assistance for unemployed people, and was accompanied by the expectation that the head of a household would search for full time permanent employment.

Over time, social, demographic and labour market changes have challenged the assumptions upon the income support system is based. In particular:

- as unemployment has increased, there has been a steady rise in the average duration a person has remained on a benefit, to the extent that benefits are no longer a temporary income for many people;
- part-time temporary, casual and other forms of non-standard employment have become more common; and
- changes in family structures and women's labour force participation (such as the growth in sole parent families and women returning to work) have created new demands on the benefit system.

In an attempt to address these changes, new benefits were added to the existing system.

The benefit system is now highly complex, both because it is required to cover a wide range of situations and because it has evolved through many changes over a number of years. This can make it difficult for people to know what their obligations are, or what support they could get. It also makes the system difficult to administer.

The Relationship Between Benefits and Employment

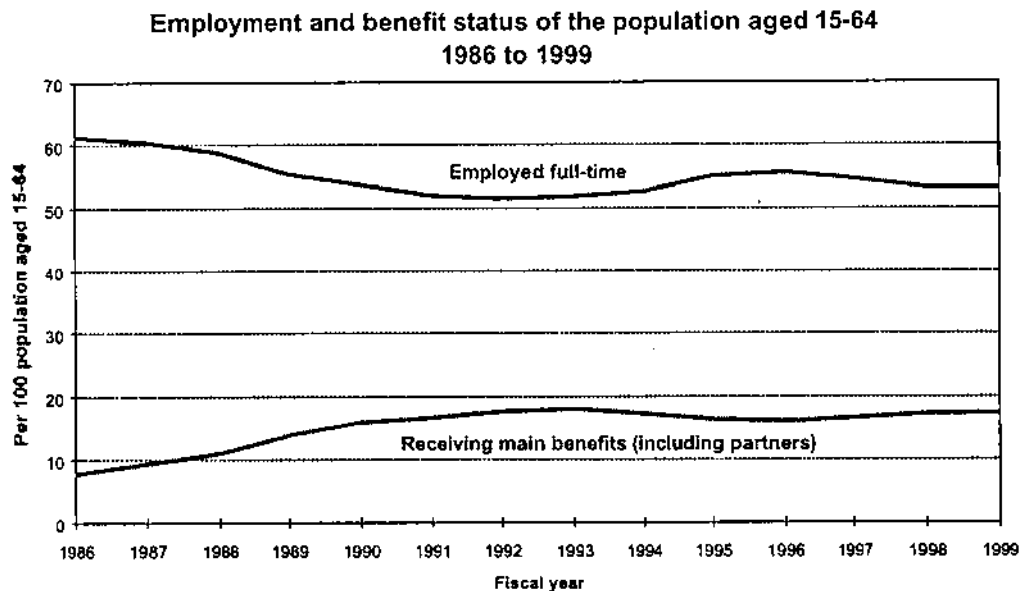
Overall trends in benefit receipt are closely related to trends in employment. This reflects the primary role of benefits in providing income support for people while they are unemployed.

As shown in Figure 1, between 1986 and 1992 trends in benefit receipt and employment assistance were broadly symmetrical. There was a rise of 10 percentage points in the proportion receiving benefits and a decline of 10 percentage points in the proportion employed full-time.

In the early to mid-1990s, the reduction in the proportion receiving benefits corresponded with, but was less pronounced than, the increase in the proportion employed full-time.

This asymmetry has continued into the most recent period. There was a 2 percent decline in the proportion in full-time employment between 1996 and 1998, while the proportion receiving benefits grew by only 1 percent. This is likely to reflect recent policy changes, which are discussed further below.

Figure 1

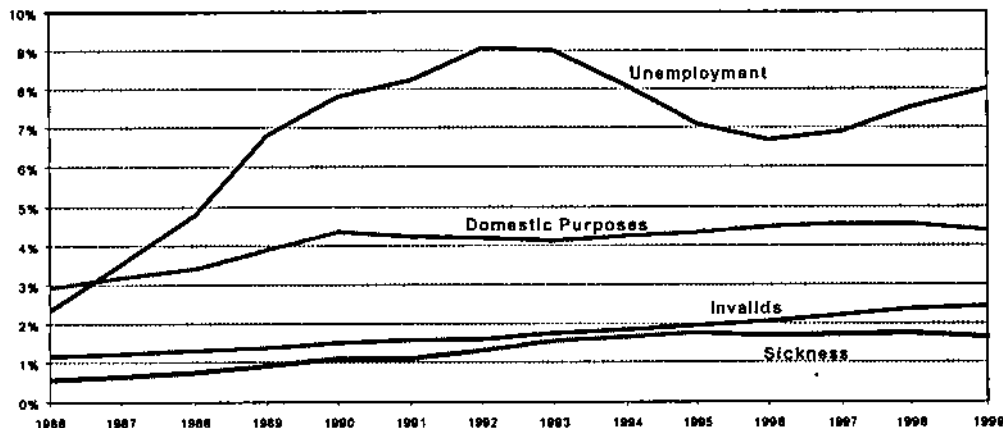


Source: DSW Annual and Statistical Reports (main benefits are unemployment, training, widows, domestic purposes, sickness and invalids benefit); SNZ, HLFS full-time employed aged 15-64, population aged 15-64, March quarters to 1989, June quarters 1990 onwards.

Movements in different types of benefits over the same period are shown in Figure 2.

Figure 2

Benefit recipients as a proportion of population aged 15-64
1986 to 1999



Source: SWIFTT; HLFS, March Quarters to 1989, June quarters 1990 onwards.
Note: Includes spouses.

Drivers of Benefit Trends

The drivers of benefit trends vary by benefit type. The discussion below identifies the general drivers over the last 15 years. Further detail on the impact of policy changes introduced over the last two years is provided later in this note.

Unemployment Benefit

Trends in receipt of UB (now Community Wage – Job Seeker) mirror changes in the economy. When the economy was in difficulties between 1987 and 1992, the rate of receipt of UB climbed rapidly. Subsequently, when the economy began growing strongly after 1992, the rate declined significantly. As the economy contracted after 1996, partly in response to the Asian economic crisis, UB receipt began climbing again.

Domestic Purposes Benefit and Widows Benefit

The rate of receipt of the DPB and WB has been relatively flat since 1991, and in the past year the numbers have begun to decline, despite only moderate economic performance. Four factors contributed to this levelling off in DPB numbers:

- reduced flows into the younger reproductive age groups;
- rising rates of employment among sole parents;
- policy changes such as the introduction of work expectations (discussed in more detail below); and
- delivery improvements such as individual case management and the COMPASS scheme.

Given the ageing of the working age population, there is likely to be less pressure on DPB expenditures in the next decade.

Invalids Benefit and Sickness Benefit

Growth in receipt of incapacity-type benefits (IB and SB) over the last two decades is related to rising unemployment, but was unaltered by the economic recovery of the early to mid-1990s. These benefits have now levelled off, with differential movements in the two categories approximately offsetting each other.

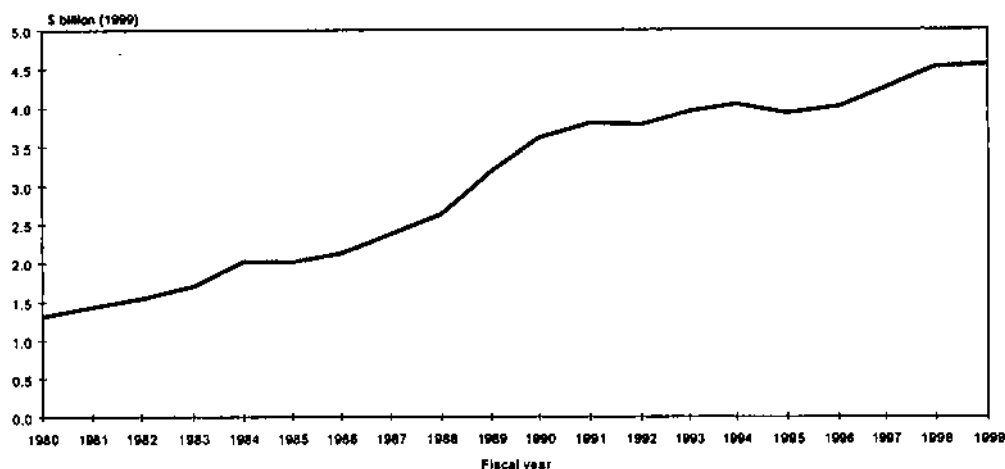
SBs have begun to decline somewhat, primarily because of policy changes (discussed below). IBs have continued to rise throughout the decade, partly because of the ageing of the population and partly because of the rise in the age of eligibility for New Zealand Superannuation. In the absence of further policy changes, this trend is expected to continue.

The Cost of Income Support

As shown in Figure 3, the total cost of income support (in real terms) rose significantly in the period from 1987-1994. Following a dip in 1995, it resumed its upward course, albeit at a lower rate.

Figure 3

**Real Expenditure on Working-age Income-tested Benefits
1980 to 1999**



International Developments

A key challenge facing many Governments is to design social security programmes to help those who need it, while simultaneously reducing long-term costs.

Although various countries have taken their own approaches to reform in face of similar pressures and trends, there are a number of common themes.

- **Increased emphasis on work requirements.** Initiatives have included expanding the job search requirement beyond unemployment beneficiaries, strengthening sanctions for

non-compliance with the new requirements and improving incentives for beneficiaries to move into work (US, Australia, UK and Denmark).

- **Cost containment.** This has taken a variety of forms, including reduction of replacement rates (Sweden) tighter targeting and conditions (US, Australia) and time limiting of benefits (US).
- **Privatisation and reliance on market solutions.** The Netherlands now operates a managed market for disability insurance cover and has instituted a requirement for employers to cover the first year of sick leave of employees. Australia has created a market for the provision of employment services with private agencies able to compete with the state employment service.
- **Partnership building.** Many reform efforts have involved developing partnerships between central and local government, the non-government sector and private business (UK, US, Australia).
- **Re-naming of programmes to signal changed expectations.** New names are used to reflect a changed emphasis, especially in relation to the strengthened work requirement (UK, Australia), and to achieve a shift in public attitudes to welfare.

Recent New Zealand Policy Changes

In the period 1997-99 the Government introduced a number of changes to strengthen the work expectations of beneficiaries. The impact of these changes on workforce participation needs to be assessed alongside the establishment of DWI.

The work test was progressively expanded beyond the group of unemployed (who have traditionally been expected to be available for work) to encompass two other groups who had not been subject to a work test in the past: and

- sole parents (including widows) with school age children. A full-time work test is now applied if the sole parent's youngest child is aged 14+ and a part-time work test if the youngest child is aged 6-13; and
- spouses of unemployment, sickness and invalids beneficiaries.

In addition to the expansion of the work test, the sanctions for non-compliance were strengthened.

The sickness and unemployment benefits were effectively aligned, to address the large number of people transferring from the unemployment to the sickness benefit to get a higher rate of benefit, and thereby distancing themselves from employment related assistance. The criteria for eligibility for invalids benefit were clarified.

To help beneficiaries both prepare for and find a job, additional funding was provided specifically for employment services for newly work-tested clients, as well as for all clients seeking work. The funds were used to increase the volume of existing employment services (such as job referrals and job clubs) as well as to extend the range of services (e.g. some programmes specifically tailored to women).

Additional funding was also made available for low-income parents who require help in caring for their school age children while they work. A new subsidy was provided for those parents who require OSCAR (out of school care and recreation programmes) and for OSCAR establishment funding in low-income areas.

Impact of the Changes

Policy changes to strengthen the work expectations of beneficiaries, together with the structural integration of employment assistance and income support, appear to have had a noticeable impact on trends in benefit receipt over the last 18 months.

The introduction of the changes took place against a background of slower economic growth. Normally this would mean that total benefit numbers could be expected to rise until the business cycle turned strongly upwards. This has been the case for UB (now Community Wage – Job Seeker). However, differential patterns have emerged for the other benefits countering previous growth trends. These can be traced to the impact of policy changes and the establishment of DWI.

Specific trends are described below.

Total Benefit Uptake

Total benefit numbers have levelled off. In September 1999 total benefits were 386,744, just fractionally below the level of the previous year. Rises in one category have been offset by falls in other categories. This is close to what might be expected as the economy lifts out of an economic slowdown. However, the flattening out of numbers has occurred earlier in the cycle than might be expected based on previous cycles. Also the rise in UB and the fall in most of the other income tested benefits is not the pattern of previous economic upswings.

Domestic Purposes Benefit

From a peak of 114,799 in September 1997, total DPB numbers were down 5.2% to 109,879 in September 1999. This is the first sustained fall in numbers since the benefit cut period of 1991/2 and follows four years of modest growth in DPB numbers. The timing of the fall can be directly traced to the announcement and subsequent implementation of work test changes.

Other changes which have occurred in the last two years are:

- an increase in earnings from part time employment while on the DPB;
- fewer sole parents both entering and leaving the DPB; and
- more sole parents leaving the DPB for employment (rather than other benefits).

Invalids and Sickness Benefits

The numbers on IB continue to rise to their 1999 level of 51,173 but with some slowing of the trend. Numbers on SB peaked at 35,172 in 1998 and since then have declined.

The alignment of SB with UB appears to have had an impact on the numbers transferring between the two benefits. (There was a new flow from UB to SB of 3,162 in 1996 declining to -293 in 1999.). While there has been a concern that there might be a greater incentive for people to transfer from IB to SB because of the higher benefit rate, this does not appear to have been the case as the number of transfers dropped from 4012 in 1996 to 3095 in 1999. This suggests that the clarification of IB rules has had some effect.

DWI's Impact on Benefit Trends

Since the establishment of DWI in 1998, total benefit uptake appears to have levelled off despite a relatively weak employment situation until mid 1999. There have also been changes in the composition of the beneficiary population, reversing the trend in earlier years.

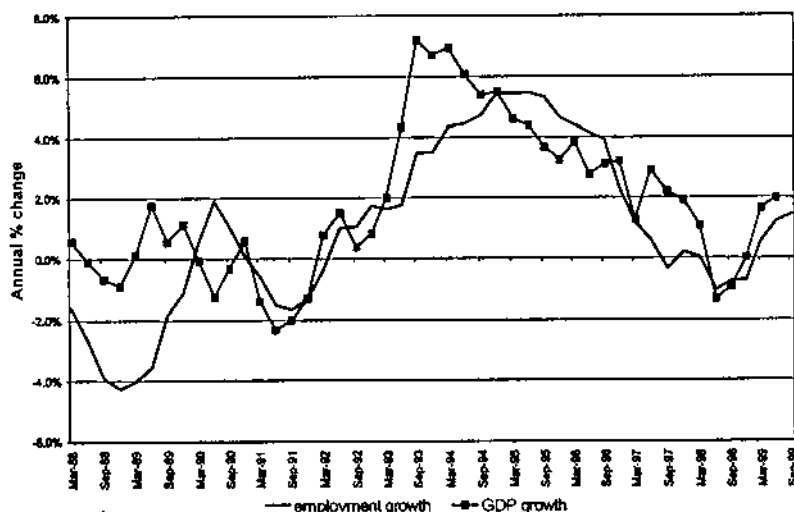
In MSP's view it is not possible to isolate the impact of individual changes (such as the establishment of DWI) on benefit trends. With a variety of different factors at work it is unclear how much effect any individual change has had on its own. Indeed it is probable that changes have occurred as a result of the "package approach" taken and as a result of general economic performance.

This suggests that the outcomes described in this paper cannot be attributed solely to DWI. DWI may well have made a positive contribution, but the impact of its performance cannot be measured precisely.

Employment changes

Employment growth is largely driven by economic growth and the efficiency and flexibility of the labour market in responding to changes in labour market conditions. Poor employment growth over the past decades has primarily reflected low economic growth.

Employment and GDP Growth Rates Since 1988



Source: Statistics New Zealand – National Accounts and HLFS, September 1999

Total employment has grown from 1.555 million people in December 1985 to 1.746 million in September 1999. This represents an extra 191,000 jobs over the period. The working-age population has increased by 458,000 over this time.

Employment fell dramatically over the period from 1986 to 1991 reaching a low of 1,457,000 in December 1991. This period of heavy job losses resulted from a number of factors including the economy adjusting to cyclical influences, macroeconomic stabilisation, and increasing international and domestic competition. Following the removal of the wage and

price freeze in 1983, there was rapid real wage growth as well. The following table shows the major declines in participation of this period. This was followed by a period of significant employment growth between 1991 and 1996.

Participation Rates for Selected Groups (%)

	1986	1992	1999	Change 1986-1999
Overall	66.3	63.8	64.8	-1.5
Female	53.9	54.1	57.2	+3.3
Male	79.3	74.0	72.9	-6.4
Pākehā	65.8	64.3	66.3	+0.5
Māori	68.6	59.9	61.9	-6.7
Pacific people	71.8	61.4	60.6	-11.2
Other ethnicity	69.9	63.2	54.8	-15.1

Source: Household Labour Force Survey, September 1999

In 1998, there was a short recession reflecting the Asian crisis, drought, and tightening of monetary policy. Since then, output and employment growth have returned to positive, if moderate, growth.

Employment growth is not evenly spread. In the period of high job losses in the late 1980s, the jobs lost were predominantly full-time positions, particularly for low-skilled workers. The majority of these jobs were held by males. A disproportionate number of these males were Māori and Pacific people. For some of these affected workers, the experience has resulted in long and often repeated spells of unemployment.

Employment growth has been in the service industries in general, particularly in part-time work. This has contributed to the particularly strong growth of employment and participation amongst women, who more frequently work part-time.

Employment has also increased amongst older workers, partly in response to the increasing age of eligibility for New Zealand superannuation. As the labour force ages, it is likely that increasing numbers of older workers will be participating. At the other end of the labour market, youth participation and employment rates have declined though some of this is due to increased participation in training and education. Māori and Pacific people have not recovered the employment and participation rates they had before the major job losses in the late 1980s.

There is also considerable variation in employment performance between regions. As can be seen in the following table, the Auckland, Nelson/Marlborough/West Coast and Wellington regions all have high participation rates and low unemployment. These regions also have good growth prospects.

Regional Employment, Participation, and Unemployment Rates
(Sept. 1999 Quarter)

	Employment (000)	Participation Rate (%)	Unemploy- ment Rate (%)
Northland	56.1	62.8	8.5
Auckland	529.1	66.2	6.2
Waikato	155.9	64.8	7.3
Bay of Plenty	100.7	64.2	8.8
Gisborne/Hawke's Bay	81.9	62.2	7.2
Taranaki	47.1	63.0	6.5
Manawatu/Wanganui	88.5	58.9	7.1
Wellington	224.7	66.7	5.0
Nelson, Marlborough, West Coast	72.5	65.0	6.9
Canterbury	251.5	65.8	6.9
Otago	88.5	61.2	6.9
Southland	45.1	66.0	5.4
OVERALL (NZ Ave not seasonally adjusted)	1741.5	64.8	6.6

Source: Household Labour Force Survey, September 1999

There is a total of about 260,000 businesses in New Zealand¹¹. Of these, 225,000, or over 85%, employ fewer than five people. These businesses employ about 332,000 full-time equivalents.

New Zealand has some large enterprises as well. The largest enterprises (those that employ over 100 full-time equivalent workers¹²) employ the largest proportion of the current labour force. There are 1,264 enterprises in this category which employ over 542,000 full-time equivalent workers (an average of over 430 per enterprise).

¹¹ Note this uses the Statistics New Zealand 'Geographic Unit' definition. Many geographic units are subsidiaries or divisions of 'businesses' (an example would be centrally owned retail chains). Many businesses are also individual shareholder employees. The accident insurance contracts database, which uses a definition of business that combines subsidiaries and divisions, reports only 160,000 businesses.

¹² FTE = Full-time equivalents, the total of full-time jobs, plus half the total of part-time jobs.

Most of the recent employment growth (as reported by Statistics NZ in 1998) has been amongst small businesses employing fewer than five people.¹³

A feature of labour markets is the 'churning' of jobs, that is, large numbers of jobs are both created and destroyed. One piece of research estimates that between February 1987 and February 1996, a net total of 58,700 FTE jobs (or a net average increase 6,500 jobs per annum) were created in New Zealand. This net figure reflects 1,451,400 jobs created (or 161,300 per annum), and 1,392,700 (or 154,700 per annum) jobs lost.¹⁴

Job security in small firms can be particularly low with the business failure rate quite high. Many small businesses cease operating each year, with an expected survival rate over a two-year period for a new small business of only 57%¹⁵ (43% of new small businesses will cease operating within two years of starting).

Employment Assistance 1988 – 1998

Prior to the establishment of DWI in 1998 active employment assistance was delivered by the Department of Labour. The level of this assistance and the resources spent had increased substantially in response to growth in unemployment particularly in the late 1970's. The response in the late 1970's and early 1980's had been the establishment of large-scale work schemes, for example the Project Employment Programme (PEP). Such programmes offered temporary work, usually carried out by Local Authorities and voluntary agencies.

In the late 1980's, as unemployment grew at an increasing rate, New Zealand, along with many OECD countries, switched to focus more closely on training programmes to improve participants skill levels. To this end ACCESS and MACCESS were developed, which were regionally oriented training programmes for the unemployed and other people who faced significant barriers to employment.

These programmes were subsequently replaced with the Training Opportunities Programme (TOP) which is more closely targeted at the long-term unemployed. In the late 1980's there also developed a stronger focus on the provision of job brokerage placement services, and the use of partial wage subsidies predominantly to support employment in the private sector. The Job Opportunity Scheme (JOS), which subsequently evolved into Job Plus, is the prime example of this type of intervention.

This emphasis on placement services and the use of wage subsidies and other interventions to connect job seekers to the labour market was inherent in the establishment of the New Zealand Employment Service (NZES) in 1988. NZES was established as a Service Unit within DoL as part of a significant internal re-structuring of the department that also saw the establishment of the Industrial Relations Service (IR), Occupational Safety and Health (OSH), and the Immigration Service (NZIS). At the time of establishment NZES' accountability was described solely around the number of placements that were made of job seekers into employment. There was initially no distinction made between those who had been unemployed for a long or short period, nor between temporary or permanent employment.

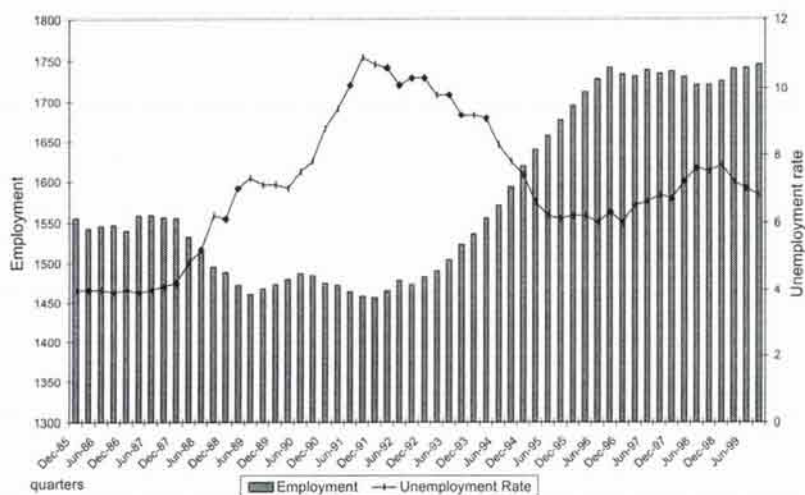
¹³ Statistics New Zealand, *Business Activity Statistics 1998*, article 2.1, p. 23.

¹⁴ Peter Gorringer, 'Business Directory Data Analysis (1997) Draft.

¹⁵ *ibid*, p. 23.

It was significant that NZES services were developed around service to individuals. In 1991 the Community Employment Group (CEG) was established to deliver a community employment development approach and to work with those communities most disadvantaged in the economic re-structuring which had been occurring.

The graph reproduced below provides an overview of the trends in employment and unemployment between 1985 and 1999. It is against this backdrop that NZES services evolved to a strong focus on the long-term unemployed and others disadvantaged in the labour market. An OECD report (*Implementing the OECD Jobs Strategy 1997*) identified New Zealand as delivering encouraging results in the reduction of structural unemployment.



Source: DoL Briefing to Minister of Social Services and Employment Dec 1999

As is clearly shown the level of unemployment rose particularly sharply between June 1990 and Dec. 1991. At this time NZES was simply focused on moving as many people as possible into employment, as quickly as possible. Following this peak however, unemployment dropped significantly, and the overall level of employment rose correspondingly. During this period (mid – nineties onwards) it became clear that there were individuals and groups who were not succeeding in moving back into work, and that the proportion of the unemployed who were ‘long term’ was steadily increasing.

In response to this the focus of NZES was moved to concentrate on the long term, and those disadvantaged. This focus was reflected in purchase agreements and in performance measures underpinning them. Placements were disaggregated by the duration of job seeker, and participation targets were established for activities such as job clubs and training programmes.

The Employment Taskforce undertook a very extensive process of consultation during 1993 /4 and the resultant changes shaped the delivery of employment services up until the establishment of DWL. The key directions that were implemented following the Taskforce were:

- the development of individualised employment assistance for job seekers registered for 26 weeks or longer. This entailed the implementation of a case management approach, in which the particular barriers faced by an individual and the available opportunities were identified, and a back to work plan agreed.
- the acknowledgement that sufficient flexibility should be built into the system to ensure that employment services could respond to local and regional labour markets.
- a greater emphasis on community involvement in the delivery of employment assistance.
- a greater emphasis on delivery to Maori with support for the development of targeted interventions developed by Maori.

Of these, individualised employment assistance probably had the most obvious and far-reaching impact. It resulted in the development of a fundamentally re-designed information system, a substantial increase in front-line staffing levels, and the move towards a more sophisticated and results based performance measurement approach. The cornerstone of this approach was (and still is) a stable employment outcome. This measures not just a placement into employment, but also whether or not the individual remains off the register for a period of 3 months.

The Job Action programme was also introduced at this time. This was a significant programme which included the mandatory participation of long term job seekers (some at 52 weeks duration and all at 104 weeks) in an interview and a week long workshop. Participants developed a detailed plan to assist them into work that was closely monitored through a case management process.

At the time of integration NZES had developed a strategic approach which was based around an individualised approach, was working hard to build links into local communities (particularly through Local Employment Co-ordination approaches) and was strongly focused on achieving and being accountable for results. The process of developing this had actively involved all staff and had established particularly challenging goals in relation to improving outcomes for Maori. It also ensured that staff could see the link between their work and the result for clients.

Annex I

The Objectives That Led to the Establishment of the Department of Work and Income

Introduction

This note provides background material for the Ministerial review team on:

- the policy and service delivery objectives that led to the establishment of DWI; and
- the views and expectations held by Ministers, officials and stakeholders at key stages in the process up to 30 September 1998.

The information in this note is drawn from a range of documentary sources and the responses of Government departments to the questions put to them by the review team.

Employment Strategy Outcomes

The establishment of DWI was part of the Employment Strategy formulated by the National/New Zealand First Coalition Government established in 1996. In September 1997, Cabinet agreed that Government employment policy would pursue two outcomes:

- the key outcome is the reduction in the percentage of long term unemployment among all working age beneficiary groups by job seekers obtaining unsubsidised employment; and
- the complementary outcome is maximising the involvement of job seekers in community work or training.

According to the Cabinet paper, the employment strategy outcomes reflect the view that while there are many people who move in and out of work, there is a “tail” of long term unemployed and benefit dependent people who need intensive management out of the “system”. It is also desirable that people at risk of becoming long term unemployed or benefit dependent are accurately identified and prevented from moving into this long term group.

The need to integrate employment and income support policies and to target employment assistance at the long term unemployed were not new ideas. In 1994 (at a time when the economy was growing rapidly) the Employment Taskforce had argued that:

- economic growth would do little to assist those who, for whatever reason, had neither the right skills nor experience to take advantage of the new employment opportunities that a growing economy creates; and
- labour market related policies needed to be supported by income support policies which achieved their social goals without unnecessarily inhibiting people’s opportunities to re-enter employment.

The Taskforce recommended that every job seeker who had been registered unemployed for over 26 weeks, as well as other targeted groups, should have access to individualised assistance leading to work. In response the New Zealand Employment Service (NZES) was

funded to provide case management services. Income Support (IS) also received some funding to extend its own case management model to provide a work focus for sole parents.

This situation contributed to long standing tensions between the Department of Labour (DoL) and Department of Social Welfare (DSW) over resources and the development of strategy. According to DWI, "the two case management approaches inevitably produced competition between the two delivery agencies, especially over the gateway from welfare to work".¹⁶

The Employment Strategy Cabinet paper noted that there was perceived duplication in the services that were provided to some groups of job seekers. This was seen as causing two problems – higher transaction costs for the job seeker and inefficiency.

The Coalition Government's Policies

While the outcomes of the Employment Strategy were not new, the specific policies and delivery approaches introduced by the National/New Zealand First Coalition Government were.

The Coalition Agreement negotiated in December 1996 included the following policies:

- the integration of services delivered by NZES, IS, Community Employment Group (CEG) and Education and Training support Agency (ETSA) to job seeker beneficiaries (or communities) seeking access to employment assistance, income maintenance, and education and training assistance, with the objective of delivering seamless education to all clients;
- participation of job seekers in suitable part-time community work and training;
- the introduction of a community wage; and
- greater regional accountability and responsiveness to local labour market needs through the establishment of Regional Employment Commissioners.

These policies reflected the long held vision of Peter McCardle, who was appointed Minister of Employment, to establish an integrated employment service and to introduce a regional component to service delivery.

The views of the Minister of Social Welfare (Roger Sowry) on structural integration were less explicit. The National Party clearly supported the focus on improving the labour market participation of beneficiaries, and was probably prepared to accommodate Mr McCardle's vision as a possible mechanism for achieving more effective delivery of outcomes.

Many officials have commented that during the period leading to the establishment of DWI, the two Ministers had separate and sometimes conflicting objectives. However, while Coalition Government was a new experience for Ministers, the differences between Ministers in this area were probably no more pronounced than in a range of other areas. What was unique was the extent of policy difference between DoL and DSW.

¹⁶ WINZ Briefing to the Ministerial Review Team 3 March 2000.

Officials' Advice on Service Integration

It was not immediately accepted that the integration of services would be achieved through the establishment of a separate agency. During the time of the Coalition formation (November 1996) officials advised that there were essentially two approaches to integrating service delivery to individual clients:

- a **structural** approach involving physical and organisational integration of the service providers; and
- a **systems** approach involving careful design of interfaces between information, operational and delivery systems.

At the time officials favoured the systems approach.

There is (based on the information currently available) little between the two approaches in terms of financial cost. In the short to medium term, the systems approach under co-location is likely to be more effective and provide benefits in terms of the co-ordination and efficiency of employment and income support services. This is because it would avoid the disruption and associated risks which would accompany rapid structural change. It would also allow the two main service providers to maintain their business focus.

During 1997 Ministers and officials worked through a range of organisational design options for implementing the Coalition Agreement. A Dedicated Development Team (DDT) comprising officials from the key agencies was charged with providing the costs and benefits of different options. In November 1997 the DDT asked Ministers¹⁷ to make "in principle" decisions between three options:

- virtual (or non-structural integration);
- virtual integration as a phased move towards full integration; and
- full structural integration.

It is interesting to note that although officials had been working on the issue for a year, the options identified were virtually the same as those put forward at the time of the Coalition formation. This indicates that the development of options was protracted and that officials did not find it easy to reach agreement in the absence of an agreed direction from Ministers.

In their advice to Ministers¹⁸, officials noted that policy trade-offs would be required. Currently there were synergies between income maintenance policy and wider social policy, and between employment policy and wider labour market policy. Capturing these synergies would be more difficult under full structural integration. However there would be potentially greater synergies between income maintenance policy and employment policy.

The advice given by key departments on the three options put before Ministers is summarised below. Although the extent to which the arguments used influenced Ministers is not clear, they are worth examining because they provide a useful insight into the motivations and

¹⁷ Officials reported in the first instance to the Ad Hoc Ministerial Committee on Employment and Welfare Reform, also known as G5. The subsequent Cabinet paper was drafted to reflect the views of this Committee.

¹⁸ *Models for An Integrated Employment Service*, 31 October 1997 and 25 November 1997.

conflicting priorities of departments, both at the point of the Cabinet decision and, arguably, throughout the restructuring process.

The **Department of Labour's** advice reflects its concern that there would be a "takeover" of NZES under full structural integration. It supported virtual integration as a stable end point in itself. It considered that any final move to full structural integration should only follow evaluation of full integration.

DoL argued that the most important issue in considering the options was the achievement of the Government's employment outcomes and that efficiency was a secondary objective. The Government's outcomes could best be achieved through virtual integration because:

- the two businesses of DSW and DoL were different, with core competencies and strengths. Virtual integration would allow them to "stick to their knitting" and retain clear accountabilities;
- most of the identified efficiency gains of structural integration would be able to be realised through the alignment of systems and processes; and
- regional accountability and devolution would be problematic under full integration. One person would be accountable for both a function which is centrally specified and requires consistent application (benefit administration) and another which requires responsiveness and flexibility (employment services).

DoL identified transitional risks under full structural integration including possible loss of staff, decreased productivity, possible industrial relations disruption and the diversion of management attention to building the new organisation. It specifically noted that:

It will be very difficult, if not impossible, to implement successfully the new policies arising out of both the employment strategy and benefit reform work during a period of major organisational change.

The Department of Social Welfare supported the concept of full structural integration, but considered the risks in of an immediate move to full structural integration were high. Its preference was for a move to virtual integration as a first step towards full integration.

Like DoL, DSW considered that an immediate move to full structural integration could involve a conflict between organisational and policy objectives:

An immediate move...is likely to divert management and staff attention and affect morale at the same time that key Government policy changes arising from the employment strategy, benefit reform, and strengthening families are being implemented.

DSW were also concerned that integration processes should not put at risk "the exceptional efficiency gains that have been achieved by IS in recent years". It argued that these efficiency gains had been achieved because of the strong management culture in IS, and that the achievement of future efficiency gains was dependent on maintaining the culture.

Treasury supported a direct move to full structural integration, primarily on the basis of the cost savings that could be achieved.

Treasury considered it was unlikely that significant differences in effectiveness would occur between the two alternative approaches to integration. However, if differences were to occur it is likely that a single organisation would be more effective.

On the face of it, one organisation with one clear accountability structure charged with getting clients into unsubsidised work could be more effective than two separate organisations.

Treasury noted that getting agreement between organisations had been difficult to date and argued that one organisation would be more adaptable and could increase flexibility for Ministers in the future.

Unlike the two operational departments involved, Treasury did not think the transitional risks associated with full structural integration were too large, and was optimistic about the change management process.

There have been massive structural changes throughout the economy over the past decade. The changes envisaged here, while large, are not out of line with other changes in the past. Therefore we consider that the risks...should be manageable with strong leadership and a direct move to the creation of one organisation.

The **State Services Commission** also supported a move to full structural integration. It noted that the separate areas of focus of IS and NZES were already converging as a result of the strategic policy decision that income maintenance was primarily transitional assistance for people as they moved towards unsubsidised employment. A single organisation, with clear accountability and no duplication or overlap of activities, was the logical extension of this process, was more likely to give effect to the employment outcomes sought by the Government and should provide better customer focus.

Like Treasury, SSC considered that transitional risks could be minimised "provided a well planned and managed implementation process is put in place".

In commenting on the advice that they offered at the time, some departments now consider that insufficient attention was given to risk management. In retrospect, risk management strategies focussed only on things that were likely to occur up to the 1 October 1998 launch date (in particular the risk that benefit payments would be missed) and did not identify issues that were likely to occur post launch.

Concurrent Policy Changes

At the time that Cabinet was considering options for structural integration it was also making decisions on benefit reform¹⁹ and the Community Wage.

¹⁹ The benefit reform exercise was driven by the Benefit Reform Steering Group, an interdepartmental committee convened by the Department of Social Welfare. The membership of the steering group overlapped with that of the interdepartmental committee overseeing the Employment Strategy, convened by the Department of Labour. Both groups reported to the Ad-hoc Ministerial Committee on Employment and Welfare Reform.

In November 1997 Cabinet agreed to a set of outcomes and a set of principles to guide the benefit reforms. These statements are a useful summary of Ministers' objectives not only for benefit reform but for the range of employment and income support initiatives they were currently considering.

The **outcomes** sought were:

- improvement in the labour market participation of beneficiaries, with ultimate increases in sustained employment and hence income;
- a reduction in long term benefit receipt;
- a reduction in the number of children of sole parents (and other beneficiaries) brought up in long term benefit-dependent families; and
- a reduction in costs over time.

The **principles** were:

- participation in paid work ultimately underpins economic independence and improvements in life outcomes for individuals and their families;
- employment is the ultimate objective of all income support-related contact with individuals of working age;
- most individuals are capable of undertaking some paid work;
- income support should (for the majority) be seen as providing transitional assistance while a person is without work;
- work expectations and obligations (and therefore sanctions) should be linked to an individual's capacity to work. (CAB (97) M42/16).

Benefit Reform

This exercise encompassed reviews of the domestic purposes, sickness and invalids' benefits as well as improving incentives to work, increasing facilitation measures to move people into paid work and introducing or increasing reciprocal obligations supported by sanctions.

Sickness and invalids benefits were aligned effective from 1 July 1999.

The Community Wage

The community wage involved merging the unemployment and training benefits into a single allowance for job seekers. This allowance replaced all unemployment benefits (i.e. unemployment benefit, young job seekers allowance, 55+ benefit and work tested emergency benefit) as well as the training benefit. Sanctions were imposed on those people who refused to participate in community work or whose work was unsatisfactory.

The community wage scheme was introduced in two phases. The first phase merged the unemployment and training benefits into a single allowance and came into force on 1 July 1998. The second phase imposed sanctions and came into force on 1 October, the same date as DWI commenced operations.

*Views of Stakeholders*²⁰

During the development of the policy changes, feedback was sought on the issues of Regional Employment Commissioners, Community Work and the Community Wage from job seekers, the wider public and key stakeholders (including iwi representatives). Specific feedback was not sought on issues of integration but some was received. Generally submissions expressed support for a case management approach and better alignment of services.

Some concern was expressed that an integrated employment service would take a punitive approach, especially in the context of delivering income maintenance. Conversely, however, some job seekers believed integration would make things marginally easier for them. A number of job seekers also thought that integration would not make a material difference as they did not have to visit IS as frequently as NZES.

The New Zealand Employers' Federation was very supportive of job seekers dealing with one person, but did not see any advantages in full integration.

At the consultation hui, iwi expressed some support for the principle of integration in that it could potentially provide a better level of service to Maori job seekers. It was noted that there was a need for, and a number of difficulties associated with, the development of a culturally appropriate, holistic approach to the delivery of services to Maori job seekers. Iwi considered there were risks with creating a "super" bureaucracy in terms of loss of flexibility and accountability, and it was feared that no part of an agency would be specifically responsible and accountable for outcomes for Maori job seekers.

Overall, the consultation indicated that integration, as such, was not an issue of primary concern to stakeholders.

Broadening the Role of DWI

Mr McCardle had originally envisaged DWI as an agency based around NZES that would take over the "unemployment division" of IS. He envisaged a "one stop shop" focussing on moving the unemployed off benefits and into work.

In August 1997 the Government decided that the target for its employment strategy would be all working age beneficiaries, not a subset defined as the unemployed. In early 1998 the Government also decided that the new department would continue to deliver NZ Superannuation and other services.

In mid 1998 Government decided to transfer the delivery of student allowances to DWI for the 1999 academic year and student loans to DWI for the 2000 academic year. This decision reflected the fact that IS had been identified as a likely home for these services prior to the establishment of DWI. Assuming responsibility for loans and allowances placed considerable pressure on DWI managers who were fully engaged with the dual tasks of setting up integrated service delivery and implementing policy changes.

²⁰ The results of consultation are summarised in the paper from the Dedicated Development Team *Models for An Integrated Employment Service*, 25 November 1997.

The impact of all these changes was that the scope of DWI's operations broadened beyond a one-stop-shop involved in moving the unemployed into work. This led to ongoing debate between Ministers and officials about whether the department should have an employment focus only or whether it should have a broader set of objectives with a combined employment and welfare focus.

Cabinet Decision to Integrate

On 15 December 1997 Cabinet agreed to the full structural integration, by 30 September 1998, of NZES, IS and CEG into a single stand alone organisation under one Minister. Cabinet also agreed that Regional Employment Commissioners would have a management role in the new organisation (CAB (97) M47/20 refers).

Cabinet also agreed to the integration changes that should take place on 30 September 1998.

Changes Which will be seen by Clients on 30 September 1998

- Income maintenance and employment assistance for all working age beneficiaries, non beneficiary job seekers and low income workers will be delivered from one organisation;
- A single point of entry for all beneficiaries and employment clients;
- Call centres to provide a preferred first point of contact with each client being allocated a customised service officer by call centre;
- Clients to undergo a simple registered process in one organisation;
- Clients to have benefit eligibility determined and paid, and employment assistance in one organisation;
- A simple straightforward preliminary screening exercise undertaken to determine whether eligible clients have a capacity to work;
- All clients assessed as available for full time or part time work to be provided an employability assessment, work plan and case management in one organisation;
- Post placement employment support and in-work benefits to be provided by one organisation;
- A new name for the organisation; and
- One brand.

Other Changes Which Will Occur on 30 September 1998

- A new Chief Executive appointed;
- Regional Employment Commissioners and other senior managers forming a single management structure;
- All staff transfers will be completed – appointments made to the new management structure and some rationalisation of staff and functions;
- A first cut at the vision, mission statement, goals and values will be undertaken by

the Chief Executive, Regional Employment Commissioners and other senior managers;

- Legislative changes will be completed;
- Purchase Agreement/Performance Agreement will be in place;
- Responsible Ministers and Vote Ministers will be appointed;
- Baseline funding will be established;
- Asset Transfers and balance sheet transfers will be completed
- Purchase responsibility for 65% of Training opportunities Programme training (TOPs) will have been transferred; and
- Organisational strategies with regard to information technology, property, human resource development and change management will have been determined and implementation begun.

The Implementation Process

Implementation of these decisions and the change process itself were overseen by a Chief Executives' Steering Group. The Steering Group set up a transition unit, the Integration Transition Team (ITT)²¹, to make the changes required to integrate the business units.

ITT was responsible for developing a *Strategic Plan for Integration and Business Case to Establish Work and Income NZ* (September 1998). These documents established a mission, business principles and objectives and service delivery objectives for the organisation on the basis of the Government's employment outcomes and 1 October integration expectation.

The mission statement was :

To provide an integrated service to create opportunities for people and communities, to achieve and maintain self sufficiency through work, training, income support and community development.

The business principles and objectives were:

- building capability;
- excelling at service delivery;
- linking clients with opportunities; and
- maximising value for money

²¹ ITT was comprised largely of private sector consultants. Some of those involved in the process considered this reflected the unwillingness of DSW and DoL to release key departmental staff, while others felt it was because ITT was reluctant to involve them because of a perception of bias. In either event it is likely that the use of consultants contributed to a lack of ownership by NZES and IS staff in the work produced by ITT.

The **service delivery objectives** were:

- to maximise the number of work and training opportunities;
- to increase ready access to information and services for all consumers;
- to case manage clients toward self sufficiency in the shortest time possible;
- to secure and successfully fill sufficient work opportunities of value to DWI;
- to enhance the performance of DWI through the selection of quality suppliers which maximise client progress toward achieving self sufficiency; and
- to respond appropriately to the needs of regional labour markets and local communities.

In the Business Case, ITT identified three key phases to achieve the service delivery objectives.

- Phase One. One-Stop-Shops, where clients are able to receive all services from a single office;
- Phase Two. An Integrated Service, where clients and work providers receive all major services from a single person and call centres handle all phone enquiries;
- Phase Three. Service Enhancements

The Business Case set out the essential strategies and initiatives to achieve these changes:

- service delivery strategy - to rationalise and align business processes to provide integrated services which are responsive to individual and local needs;
- organisation design - to establish an organisational structure which enables the provision of integrated income maintenance, training and employment and support for communities which is responsive to the needs of local labour markets;
- HR - to develop the capability to deliver a seamless service which is responsive to the needs of local labour markets;
- IT - to provide a national IT infrastructure to provide all staff with efficient access to and management of data and information and assist to facilitate customer self help;
- property - to cost effectively provide suitable office facilities to enable the provision of one stop shop services at all sites;
- corporate identity - to establish a new identity and common brand;
- change management - to merge the former organisations, align all parts of the organisation and integrate service delivery and business processes as quickly as possible with minimum disruption to customer services; and
- communication - to inform customers and staff of the nature and timing of the changes and to obtain information to enable DWI to meet customer needs.

ITT recommended to Cabinet an investment proposal which would achieve Phases One and Two of integration. The investment proposal was based on the essential strategies and initiatives above. The investment proposal was approved in September 1998 and the

essential strategies became expectations which were then used as the basis for monitoring progress in achieving the objectives in the Business Case.

The total capital and one off costs of integration included in the Investment Proposal were \$43.309 million, with downstream net benefits of \$24.038 million per annum, once a steady state was reached.

Comments on the Integration Process

During the period between the Cabinet decisions on integration and the appointment of a Chief Executive designate in July 1998 there was no single person with overall control of the integration process.

According to the SSC and Treasury report *Lessons Learned from the Establishment of the Department of Work and Income* (1998) an establishment process of this complexity requires a clearly agreed and articulated focus, strong and experienced leadership, and a tight but realistic framework.

During the establishment of DWI, there was no agreed framework for identifying the practical implications of the high level decisions taken by Ministers and, where necessary, taking them back to Ministers.

The lack of an effective mechanism for resolving policy disagreements arose partly a result of the different perspectives of the two Ministers. According to DWI²² officials received competing expectations from Ministers (McCardle and Sowry) on issues such as:

- the devolution of delivery responsibility to Regional Commissioners;
- the need to make the organisation look very different to Income Support, to minimise the perception of a take over;
- the need to have a high number of “one stop shops” in place on Day One; and
- the need to ensure that there was not a single missed benefit payment on Day One.

However, the integration difficulties also reflected the different priorities and cultures of the departments concerned. The SSC/Treasury report said that officials “disagreed or competed on most aspects, often vigorously”. It implied that inadequate oversight provided by the Chief Executives Steering Group was part of the problem.

A Chief Executives' Steering Group should be briefed, in a timely manner, on the critical path and on the major risks to it. They have a special responsibility to work together to resolve disputes and, when they cannot do so, to co-operate in assisting Ministers to resolve them.

According to the SSC and Treasury, disagreements over the new department's role delayed the statutory processes required for the appointment of a Chief Executive. This was an important milestone for the project. The delay meant that when the Chief Executive designate

²² Briefing to the Ministerial Review Team 3 March 2000.

was appointed in July 1988, she faced a major challenge in getting the department in a position to implement minimum Day One requirements.

It can also be argued, however, that the establishment process did not fully recognise the ongoing responsibilities of existing chief executives for operations and staff through to the launch date. During the establishment of DWI there was considerable tension between the chief executives of DSW and DoL and the ITT. In the view of some of those involved this is because chief executives and the ITT had conflicting briefs. The chief executives were legally responsible for delivering services up until midnight on 30 September and the ITT were trying to make changes before 1 October so that they could deliver a "new" service past 1 October.

Summary of Objectives

The following conclusions can be drawn about the objectives and expectations that led to the establishment of DWI:

1. The Employment Strategy Outcomes articulated by Ministers were consistent with previous moves towards closer integration of employment and income support policies.
2. The Coalition Agreement included specific statements about the preferred delivery approaches for benefits and employment services to achieve these outcomes. The preferred delivery approaches largely reflected the vision of Peter McCardle who was appointed Minister of Employment in the Coalition Government.
3. The implementation of the Employment Strategy Outcomes and preferred delivery approaches led to significant policy changes including the reform of benefits and the introduction of the Community Wage, as well as the establishment of DWI.
4. Officials from DSW and DoL had very different priorities for the reforms, but both departments warned Ministers clearly about the risks of implementing major policy changes at the same time as organisational changes.
5. In contrast, Treasury and SSC argued that the implementation risks involved with structural integration could be managed. Treasury supported integration primarily because of the considerable cost savings that could be achieved.
6. Integration was not a key issue for major stakeholders, who were more concerned about policy changes than organisational changes.
7. A series of decisions taken in 1997 and 1998 broadened the role of DWI beyond the tightly focussed one-stop-shop responsible for moving the unemployed into work originally envisaged.
8. When Cabinet agreed in December 1997 to establish DWI it defined its expectations of what changes would be in place by 1 October 1998. At this stage a reasonably clear picture of the shape of the new organisation emerged.

9. However, major problems occurred during the establishment phase. There was no effective mechanism for resolving disagreements over how to implement Cabinet's high level decisions. This was partly because of the different perspectives of the two Ministers, partly because of the failure of the Chief Executives Steering Group to work together in resolving disputes or to co-operate in assisting Ministers to resolve them, and partly because the chief executives of existing departments had a different brief from the ITT.
10. During the period January – July 1998, ITT established strategic directions for the new organisation building on the employment strategy outcomes and Cabinet's expectations for integration. The ITT Business Case used these strategic directions to develop an Investment Proposal for the establishment of DWI. The Business Case outlined the essential strategies and initiatives required for integration. A major difficulty during this period was that, for a variety of reasons, NZES and IS staff were not closely involved with ITT and did not "own" its work.

In summary, the risk inherent in any major restructuring was compounded in this case by the size of concurrent policy changes. The situation was further exacerbated by poor co-operation between the departments involved during the establishment phase.

Annex J

Information Technology Systems

1. The nature of the Department and its operational imperatives means that the Department of Work and Income (as with its predecessor NZ Income Support a business unit of the Department of Social Welfare), is a very large user of technology systems. The Department has a significant IT operation both as a manager and as one of the users and contributors to the data platform operated by the Ministry of Social Policy. DWI is also a major user of telephonic systems. The Department is virtually totally reliant on these technology systems for its day to day operations. Any failures in these systems can have a significantly detrimental effect on the ability of the Department to perform its prescribed functions and consequently a very serious impact on many of the people DWI has described as its "customers". There may also be serious wider government implications such as an inability to transmit to the Inland Revenue Department information about tax deductions and other Crown revenue.

2. The Government, as owner of the IT systems operated or utilised by DWI and controlled by the Ministry of Social Policy through its Consolidated Network System, has a large investment in ensuring that the systems in both organisations are well managed and maintained. The structural arrangements as between contributing organisations, the organisational management of the systems, including relationship management, and the management of contracts for supply of IT services, is therefore a critical function for top management in DTI. Because of the interconnection with MSP as the "Owner" of the consolidated network there must be high level management interaction between these two public sector departments. A major IT development such as FOCIS adds to the imperative for the Chief Executive of DWI and other senior staff in the Department to be appropriately but directly involved in the oversight and management of IT and telephonic services. This includes high level interaction with other contributors both inside and outside the public sector whether that be operational or developmental.

3. There are three areas of IT activity in DWI that carry risk. These are:

- Management and operation of DWI applications including SWIFTT, SOLO, TRACE, SAL (Student Allowances and Loans) together with other applications providing Corporate functions
- The Consolidated Network System operated and managed by the Ministry of Social Policy serving DWI applications (and those of other public sector organisations) and maintaining a longitudinal data base. The integrity of the data collected through the Information Analysis platform is critical for government social policy planning and for fiscal forecasting in this sector.
- Development of FOCIS (Fast On-Line Customer Information System)

All of these systems and the related applications must have highly efficient and regularly tested disaster recovery capability. A brief comment on this aspect of the IT activity is made in paragraph 4.

3.1 Management of current DWI applications

3.1.1 By any standards the DWI IT operation constitutes one of the largest "IT shops" in New Zealand. The system consists of large mainframes and carries a huge volume of transactions. There are 170 locations that use the systems and applications. All depend on system reliability, continuity and integrity. The network operates upwards of 6500 PCs and 700 printers. The SWIFTT application alone carries 1.2million transactions a day and creates \$377M in payments per fortnight. There are some 46 applications utilising the system. The 1999/2000 information systems capital budget amounts to \$30.264m (of which FOCIS projects accounts for \$18.834m). The operating outturn for 1999/2000 for information systems amounts to \$62.532m. There are currently 66 IT related contracts with 40 external contractors under management by DWI. The risks to the Minister and Government are considerable in both operational and fiscal terms.

3.1.2 A copy of the "Core Strategies" for DWI IT activity is attached as Attachment A. As a statement of management intent there can be little argument with these. Effective and efficient management to ensure that these strategies are turned into efficient operational reality is the real issue. Coupled with the need for high quality management of the IT technology, is the requirement for sound financial management systems and processes and experienced and competent contract management within the IT environment. All of these management functions must be pulled together at the Chief Executive level. It is the CE who is ultimately accountable for the quality of those functions and for the proper management of the considerable risks that attend those functions. In the context of DWI with the IT systems playing a linchpin role in the day to day operation of the organisation the CE must, and be seen to be, intimately concerned and involved with the management of the systems and in ensuring that the systems are stable and maintain a very high level of integrity. It is the CE who must provide the lead in developing appropriate and functional relationships with the other key players and ensure that other staff who are involved in IT operations and development, establish and maintain productive relationships in their respective areas.

3.1.3 The Chief Executive has informed us that she considers the IT activity of the Department, ie the operational applications functioning through the Consolidated Network such as for the payment of benefits and the control of debt together with the FOCIS development, as the primary risk that the Department must manage. As this paper indicates the Review Team certainly holds to that view.

3.1.4 There is considerable dissatisfaction among staff at the work face with IT services. This is identified in the information gained from the Focus Group meetings conducted by the Review Team, the Staff Survey undertaken by the Review Team and reinforced by comments in DWI own staff feedback survey.. Any failure in computing systems – even for a relatively brief time and however explainable – is frustrating for staff having to deal with a pre-arranged diary of "customers" and results in bad customer relations. As we have identified, many case managers have a high caseload. Computer downtime adds to the stress of maintaining output. Resulting from this is an inevitable reduction in quality and performance and, as a consequence political, public and "customer" dissatisfaction that results in a loss of confidence in the overall performance of DWI.

3.1.5 We have obtained information about downtime from MSP as the manager of the coordinated network and from DWI as manager of the applications identified in paragraph 3 above. Reasons for computer or system failure occurs within the Consolidated Network

System managed by MSP and within the applications and systems operated and managed by DWI. This also involves EDS as contract manager of the mainframes. It is accepted that in an IT operation as large and complex as that involving DWI there will be failures. It is the role of management across the involved organisations to ensure that downtime is kept as low as is practicably possible. Downtime is a legitimate measure of the efficiency of the technology and the infrastructure, including management who has responsibility for the systems standards and its efficient operation.

3.1.6 We would not want to convey an impression that the IT systems are not operating adequately. Indeed the level of access and availability of the systems overall is, for its size and complexity, remarkably high. Nevertheless "eternal vigilance" coupled with strong and balanced management, is essential to improve the level of access and availability. Coordination, good relationship management and a very high level of cooperation and communication between MSP, DWI and contracted providers is an essential requirement if a higher level of reliability, access and availability is to be achieved. We see no point in identifying how and who might have been responsible for the various IT failures resulting in outage. We do however note that DWI and MSP have contributed in some greater or lesser degree to the failures in the systems that have resulted in a breakdown in the IT system and the provision of an essential tool to front line staff.

3.1.7 Changes in the business relationship between providers and users to improve the overall management of the various systems is in our view a critical issue. This will be discussed in the next section of this paper.

3.1.8 We have examined the organisational structure for IT management in DWI. This appears to be appropriate and consistent with good practice and with arrangements in other organisations operating large and complex IT shops. There is a comprehensive Business Technology Plan (June 1999). This Plan indicates that DWI is taking a very conservative, risk averse, position in respect of the management and development of its core transaction based processing systems. Accepted integration techniques and technologies are utilised. There is still substantial reliance on the use of consultants and contractors but we have been assured that the Chief Executive and the management of the IT business are acting proactively to enhance the in-house capability of IT staff. The employment and retention of competent IT staff must be part of the risk management strategy of the Chief Executive. As in most public sector organisations the remuneration rates paid to very competent IT staff in the private sector is a difficulty. Nevertheless the Chief Executive must see this as a priority and work with the State Services Commission to ensure that competent staff are recruited and appointed by DWI and that, so far as is practicable, appropriate conditions for retention are developed.

3.1.9 Within the DWI there is a clear need to ensure that there is a high level of understanding and communication between the IT Business Unit and the other Business Units that rely on the provision of IT services to carry out their functions. One approach could be the establishment of a more formal arrangement between the IT Business Unit and the user components of DWI. This is a matter upon which Treasury could proffer advice.

3.2 The Consolidated Network System and the business arrangements between MSP and DWI

3.2.1 The Consolidated Network which proves the gateway to all of the applications servicing the DWI operations is managed under the arrangements specified in a service level agreement dated 11 August 1998. The signatories to this SLA are EDS (NZ) Ltd and the (at that time) Director General of Social Welfare. The (then) Business Units of the Department of Social Welfare that separately executed acceptance of the SLA were Income Support, Children, Young Persons and their Families Service, New Zealand Community Funding Agency, the Social Policy Agency as well as corporate units of DSW who were at that time considered the "owners" of various systems. This SLA has been applied as a schedule (3.1) to an agreement dated 30 June 1997 between the Department of Social Welfare and EDS (New Zealand) Ltd. The agreement relates to the outsourcing of Tritec (at that time the business unit of DSW managing and operating the Department's IT systems). This SLA was executed close to the establishment date of DWI ie 1 October 1998, and certainly during the time the Interim Transition Team (ITT) was preparing for the establishment of the new Department. The CE designate had been appointed and was in place at the time the SLA was executed. The SLA document however makes no mention whatsoever that a new user will come into existence shortly after the signing of the SLA. There has been no review of the SLA since the establishment of DWI.

3.2.2 Under this arrangement MSP controls the quality of changes to the network and the systems depending on that network. MSP as the "owner" of the system is the Party to the 11 August 1998 Service Level Agreement with EDS (New Zealand) Ltd. The Outsourcing Agreement of 30 June 1997 between the then DSW and EDS was amended by deed executed on 16 June 1999 (some 8 1/2 months after the establishment of DWI). The parties to this agreement are DSW, DWI and EDS (N Z) Ltd. The effect of the Deed is to separate out the respective responsibilities in terms of systems and applications as between DSW and DWI. The Deed also establishes that, in respect of the Consolidated Network System, and in respect of the SLA dated 11 August 1998 EDS (NZ) Ltd will deliver services to DWI as that organisation's agent. The purpose or effect of this construction in respect of the arrangement between DWI as a purchaser and MSP as a provider of services through the Consolidated Network System is unclear. It seems to create a further complication in an already complex arrangement. Additionally there is an extant Service Level Agreement dated 31 March 1998 that is part of Schedule 3.1 of the Outsourcing Agreement dated 30 June 1997. This commits Income Support (then a business unit of DSW) and now DWI to certain commercial and technical arrangements with EDS as the Outsourcer. We have been advised that developments now render this agreement out of date.

3.2.3 The decision that DSW (now MSP) was to retain, on behalf of the Crown, ownership of the Consolidated Network following the migration of Income Support to the new organisation DWI, appears to have been taken by the Chief Executives of MSP and DWI with the involvement of the State Services Commission. There is no record of the matter having been referred to Ministers in any formal way nor of any Cabinet decision that this was to be the arrangement following the establishment of DWI (although we understand it is consistent with the then portfolio Minister's views). We have seen correspondence between the State Services Commission and the Chief Executives of the Department of Social Welfare and the Department of Work & Income dated 15 and 19 April 1999 (some 6 months after the establishment of DWI) stating that the SSC does not support a change of ownership of the IT infrastructure (presuming this means the Consolidated Network and associated contractual

arrangements). The letter also states that the SSC does not support DWI developing its own infrastructure . The letter goes on to say:

“...the Commission is of the view that the existing IT infrastructure arrangement should continue to operate until such time as any review shows conclusively that a change of existing infrastructure arrangements would benefit the interests of the Crown as a whole, rather than those of a particular department.”

3.2.4 We have no reason to question the merit of this decision. Indeed given the speed technology is evolving, and with strategic decisions about the development of eGovernment systems now under active consideration, the decision makes good sense. No doubt the future location of the Consolidated Network System will be considered in the relatively near future as the eGovernment development issues are examined and the best interests of the Crown considered.

3.2.5 Because of the centrality of the IT systems to the efficiency of the DWI operation and the fulfillment of Government policy, the Crown's legal obligations and the very significant risk to the Crown revolving around the IT systems, it is surprising that the matter was not formally put to Ministers for consideration and decision as a significant matter during the integration process when other issues of less importance were raised with them. Had that been done then there would probably have also been consideration of, and decisions made, in respect of the arrangements for the operation and management of the Consolidated Network System vis-à-vis those who would be dependent on the system and to whom DSW would become a service provider. This would have included appropriate service level agreements between DSW (now MSP) and DWI and possibly a review of the 31 March 1998 SLA that DWI became committed to on its establishment.

3.2.6 We have observed elsewhere in this report that the public service organisational arrangements surrounding and involving DWI is complex and unique. As is apparent from the preceding paragraphs the arrangements relating to the use and control of IT systems is equally so. Papers we have seen and discussions we have had indicate that during the transition discussions, issues surrounding the management of IT were the most contentious. It seems that there were some issues that were not in fact resolved and still remain unresolved. Such complex organisational arrangements require interaction, communication and decision making structures that are open, understood, unambiguous, fair and all parties abide by them.

3.2.7 There are two committees involving the relevant CEs that deal with integration and inter-departmental arrangements for IT. Given the management autonomy of Chief Executives we do not think it appropriate to suggest any overarching advisory or other management group. There is however a need for the various departments to make progress in resolving whatever issues remain outstanding following integration and to ensure that there is a cooperative relationship in dealing with current complex and difficult issues in the IT environment. The careful monitoring of outages throughout the total system ie DWI applications, MSP's Consolidated Network, is one of important functions that requires regular reporting, analysis and action by the appropriate CEs committee. (It is essential that if there are problems over outages or any other malfunctions that these are raised promptly in committee). We also mention the important role that the central agencies must play in undertaking their monitoring function in the IT area.

3.2.8 The letter from the SSC of 15 April 1999 referred to in paragraph 3.2.2 also says:

“ It is our understanding that DSW (now MSP) is happy to incorporate DWI IT standards into its own provided that they do not compromise the security of the DSW infrastructure and have no adverse impacts on DSW. We expect that DSW and DWI will continue to work towards arrangements around the use of the DSW infrastructure which will enable both DSW and DWI to deliver their respective outputs. The issue of ownership should be clearly separated from what is required by DSW and DWI in this regard.” (Emphasis added)

3.2.9 It is clear that there is still considerable tension around the arrangements between MSP and DWI as to their respective roles in the management of the comprehensive IT system and, more particularly, the relationship in respect of the dependency of DWI on the Consolidated Network System. As we have pointed out there are considerable operational imperatives and substantial risks to the Crown should these systems fail or even operate at less than an acceptable level. There is also a risk to the Crown and to the contributing departments, should the consolidated network system be prejudiced in any way. It is difficult to identify the reasons for these tensions. The situation this creates however is one of considerable concern. We note that the CE of DWI has made particular reference to this issue in her report to the Minister of Social Services of 4 April 2000. This letter is a response to the Minister's letters of expectation of 22 December 1999 and 23 February 2000. We have already commented on the need for the CEs committees to be effective sounding boards and to resolve these critical issues.

3.2.10 The status of MSP is twofold. On the one hand it is, by the decision referred to above, the “Owner” of the Consolidated Network System. DWI is required, by virtue of the architecture of that system and the direction given, to use that system as a gateway for all of its applications. On the other hand MSP via the Consolidated Network System becomes a provider of services to DWI. DWI should be able to expect a high level of provision to ensure that the critical applications such as SWIFTT, SOLO etc have maximum access and availability. Any failure here is, as we see it, a major risk to the Crown and may have a very detrimental effect on DWI “customers” and the Department's credibility. Again we would not want to infer that the operation of the Consolidated Network is inadequate. Indeed it is considered to be well managed. There are however instances where the relationship between the two organisations has been less than satisfactory. On the one hand MSP is properly concerned to protect the integrity of the System and ensure that the quality of the data migrated to applications within the system eg the data warehouse IAP, is appropriate and accurate. This is a very important planning resource for government. On the other hand DWI is driven by operational imperatives that require a high level of access and availability and knowledge that any enhancements or additions to the System have been appropriately tested and have operational credibility.

3.2.11 We note that currently, for whatever reason, there is no comprehensive and up-to-date service level agreement between DWI as the purchaser and MSP as the provider. As the SSC letter of 15 April 1999 indicates this issue is quite distinct from that of ownership which is clearly vested in MSP. In our view the absence of such a service level agreement creates a management and political risk and, importantly, obscures the issue of responsibility and accountability. We do note the existence of a protocol and a letter of expectation establishing the management of the relationship between

the organisations. These are not however a substitute for a service level agreement that expressly covers the obligations and responsibilities of the parties one to the other.

3.3 Development of FOCIS (Fast On Line Customer Information System)

3.3.1 This project had its genesis in DSW in 1995. The project is now intended to update and amalgamate the systems for welfare (and now employment) delivery in accordance with Government policy. Initially the then Government approved a project budget of \$77.485m. The project became a DWI responsibility from 1 October 1998.

3.3.2 In February 1999 Cabinet approved a change in the project structure from a single large development to a modular one. Cabinet then considered two options. These were:

- Option 1 (Large Scale Development Approach): continues with the FOCIS development project currently approved by Ministers by building all business functionality in one large system environment;
- Option 2 (Modular approach): provides business integration of existing and replacement systems by linking these to a common customer information base.

This latter approach was adopted by Cabinet.

3.3.3 The modular approach is designed to provide for concurrent, multiple discrete modules, with smaller project teams, tight project management, a shorter delivery timeframe and a reduction in risk. There is no doubt that this approach provides a buffer against significant failure and is a useful tool for managing risk. Each module must receive explicit approval by the FOCIS Management Board which reports to the Chief Executive and is chaired by an independent person, and then by Ministers. At the same time the previously approved module has to be reported on and a sign-off given. This also has the benefit of controlling public expenditure on a module by module basis, is required to be supported by an independent business case within the departments overall IT strategy and with the assurance that the previous module has been fully developed and rolled out before further expenditure is incurred.

3.3.4 The project has been described to us as one of the two largest IT projects currently underway in New Zealand in either the public or private sectors. It must be seen as a project that carries substantial risk for the Government and the Crown. While the sponsoring Department ie DWI and the CE of that Department, must be the critical focus for the health of the project and the delivery of the product, the central agencies of Government, in particular the SSC and Treasury have a genuine and proper interest in how the project is developed and managed. Management of DWI at both the project and CE levels must recognise that interest and be proactively cooperative in assisting those agencies to carry out their monitoring and reporting role.

3.3.5 At the same time the CE, involving the central agencies as might be necessary, must ensure that a project as large and complex as this, does not impede or prejudice the efficient delivery of all other outputs for which the department has responsibility to the Minister and the Government. (We have earlier pointed out that almost all of the outputs DWI is required to provide are dependent on the technology). Without wishing to be too definitive the CE having responsibility for a large and complex project such as this, that is critical to the strategic development of the organisation and that presents very substantial risks to both the

organisation and the Crown, must devote a substantial amount of personal time to overseeing the project. It is the CE in a project of this nature who must be primarily concerned with protecting the Government's ownership interest. There can be no doubt where the ultimate responsibility and accountability lies. It is a difficult balance for CEs, particularly those who are themselves lacking in project management experience. As has been described in a report shortly to be published by Controller and Auditor-General, CEs "must guard against being either too close to the project to assess purpose and progress objectively, or too remote to be aware of significant changes in status or risk".

3.3.6 Although the expressed degrees of confidence vary, it seems to be generally accepted that in respect of technological issues and at the project management level the FOCIS project is at present being handled competently. There is in general support for the modular methodology that has now been adopted and approved. The project is managing within budget although there is a question about the DAC (Debt and Control) module now under development. We have been advised that this module may exceed the approved baseline. That is a matter for the CE of DWI to consider in consultation with Treasury preliminary to seeking appropriate approvals. Although there has been some slippage in time the reasons for those slippages are explainable and are not entirely project located. While these slippages are not perceived to be fatal to the overall project any undue slippage may be detrimental to the Crown's interests in that this defers the achievement of the business benefits. This is a matter to which the CE and the monitoring agencies will need to pay close attention.

3.3.7 The report of the Controller & Auditor-General to the Minister of Social Services & Employment dated 8 February 2000 reported on the FOCIS project as follows:

"The Fast On-line Computer Information System (FOCIS) project has been well managed and is subject to a high level internal and external scrutiny. Projects are being rolled out to time and budget".

Notwithstanding this feeling of relative comfort about the management of the project there may be imminent changes in Government policy that could have an impact on the project and the modules yet to be developed and rolled out. Proposed changes in policy will need to be aware of the risks that could be attendant in respect of past and future developments in the FOCIS project and the integral part that IT plays in the operational activities of DWI. At that time therefore it might be prudent to re-assess the project and obtain further direction from Ministers for the process from then on. We would also anticipate that after the work on the current module had been completed questions might need to be asked, if only as a matter of quality assurance, as to whether the project was on track to achieve its overall purpose. We have been advised that one of the reasons for reviewing the project is to assess the options for moving from the legacy SWIFTT mainframe. This application is a significant part of the IT operation and is a major application for DWI benefit activity. We have earlier commented on the need to ensure that the central agencies are kept well informed and are able to undertake their monitoring and reporting role. We reiterate this in respect of future consideration about the direction of the project. Because of the centrality of the Consolidated Network System this re-assessment must also involve the Ministry of Social Policy.

3.3.9 We propose that the FOCIS project should now be subject to review including options for moving from the legacy SWIFTT mainframe.

4. Disaster Recovery Arrangements

4.1 Any analysis of IT systems must include questions about disaster recovery plans. We have enquired of both MSP as the manager of the Consolidated System Network and DWI as the user of that system and with responsibility for a package of applications including the major operational ones of SWIFTT, SOLO, SAL and TRACE, about their respective disaster recovery arrangements.

4.1.2 Attached as Attachment B is a copy of the response received from MSP referred to as "Contingency in the Infrastructure".

4.1.3 Attached as Attachment C is a response from DWI referred to as "Disaster Recovery Synopsis". This synopsis identifies in section 1 the backup/restore environment. Section 2 identifies work being done to develop a comprehensive disaster recovery plan. We have been told that item 4 is to be completed by the end of May 2000.

4.1.4 The Review Team has not had time to obtain expert advice about the quality and robustness of the contingency arrangements in MSP or the plan under development at DWI.

4.1.5 We have referred throughout this paper to the centrality and importance of the IT environment covering the DWI operations. We have referred to the risk these systems create for the department, the Government and the Crown. These risks would be multiplied considerably if the disaster recovery systems in both DWI and MSP are not well developed and robust.

4.1.6 We *suggest* that immediate action be taken by the respective CEs to satisfy themselves and Ministers that appropriate disaster recovery arrangements are in place.

Attachment A

Department of Work and Income's Core Strategies for Information Technology

- Significantly reduce the transaction load of case managers
- Increase DWI's ability to manage knowledge and support the case management and work brokerage culture, including the management of debt and fraud
- Undertake essential research and development for a strategic business programme including e-business
- Develop IT support for effective management information systems
- Incrementally build a system made of smaller reusable components which are easy to change to meet new requirements
- Develop standards for the design of our systems which are flexible and responsive to changes in the DWI business
- Ensure excellent data integrity of all our core, common customer information

Attachment B

Consolidated Network – Infrastructure Contingency – Ministry of Social Policy

The Social Sector infrastructure is centrally managed which allows for dynamic reconfiguration in response to prolonged outages.

When the Bowen State Building was made uninhabitable by the Broadcasting House fire DSW personnel in that building were relocated and, after the server was recovered from the building, were reconnected to their files. This highlighted the need for users of the infrastructure to maintain up to date backups as had these been available it would not have been necessary to recover the server.

When the Auckland Central Business District was subject to a prolonged power outage the infrastructure elements serving offices in the CBD were relocated within 24 hours without any problem.

The ability of people to sign on from anywhere in the infrastructure and the scalability of systems enables recovery from most forms of localised disaster. The critical element is adequate backups of data and these are the responsibility of individual departments and the ministry.

CLEAR provides the backbone of the communication system and is responsible for maintaining continuity of service. There are instances of loss of connectivity to an office caused by Telecom or CLEAR but these are resolved in the normal way with priorities and escalation procedures forming part of the contracted SLAs.

Attachment C

Disaster Recovery Synopsis – WINZ Application Servers

1. Backup/Restore Environment

Platform	Application	Primary Location	Backup Location
A-19 Mainframe	SWIFFT	Upper Hutt	Auckland
	Trace		
Unix Servers	SAL	Upper Hutt	Auckland
	SOLO	Upper Hutt	Wellington
Sample "Restoration Procedures" attached	Kiwi	Wellington	Wellington
	CHRIS	Upper Hutt	Wellington
	UCV	Upper Hutt	Auckland
	WAM	Upper Hutt	Auckland
	SHAC	Upper Hutt	Wellington
	Trim	Wellington	Wellington
	TICKIT	Wellington	Wellington
NT Servers	Job Bank/Talent Bank	Wellington	Wellington
	Intranet	Wellington	Wellington
Recovery procedures Attached	CEG	Wellington	Wellington
	Global Directory	Wellington	Wellington

2. Disaster Recovery Plan

Step	Process	Status
1	Develop Business Continuity Plans	Completed
2	Negotiating "housing agreement" with EDS to relocate backup servers from Wellington to Auckland	In progress
3	<i>Identifying business owners for each application and confirm:</i> Maximum system unavailability Maximum transaction loss permissible.	In progress
4	Advise Leadership Team of implications of "2", as determined by business owners, modify if required and obtain signoff on these parameters	
5	Document and cost DRP to meet parameter requirements	
6	Obtain approval from Leadership Team to progress implementation	
7	Modify DRP (if required), implement and test	
8	Ongoing testing and updating of plan	

Note that the Disaster Recovery capability of all areas outside of the DWI application servers is the responsibility of the MSP Information Systems Co-ordination Unit, as service providers of the consolidated network. This responsibility includes the networks (data and telephony), Microsoft Office applications, mail, calendar, Internet, IAP, file and print servers.

Annex K

Community Employment

History

Before the establishment of DWI, the Department of Labour had responsibility for what was known as the Community Employment Group. This Group was set up in 1991 and brought together a number of similarly focussed activities within the Department of Labour and the Department of Internal Affairs. As has been described by the Chief Executive of the Department of Labour, one of the essential features of the several activities brought together in 1991 was that they stood outside the mainstream delivery mechanisms. The activities offered a channel directly from the most disadvantaged groups and often remote communities, to central government. The initiative was seen as a positive way of assisting these groups and communities to take the first, and often most difficult, positive steps towards economic and social integration. Since the setting up of the Community Employment Group in 1991 successive governments have maintained a policy designed to assist such groups and communities by processes that have a community development focus rather than one that focussed primarily on individual need and support. The objectives of the programme and its delivery mechanism ie CEG, has centred around assisting communities and local groups to create opportunities for employment and to facilitate positive activity leading to self sufficiency. The identified groups include Maori, rural and urban disadvantaged groups, Pacific Island people and women.

The Community Employment Group operated within the Department of Labour as a separate business group with a General Manager reporting directly to the Chief Executive. The General Manager of the Group was a member of the Management Board and had a direct link, as a senior manager, to Ministers responsible for employment policy. It has been presented to the Review Team that between 1991 and 1998 the Community Development Group developed a high level of maturity as an organisation, put in place good accountability mechanisms, was achieving good outcomes for disadvantaged communities and was successfully managing risk across a wide range of circumstances. We have been told that in 1997/98 the Community Employment Group was involved in 20,408 interventions. 75% of these were targeted at the priority groups.

Post Integration

In July 1999 (some 9 months after the formal establishment of DWI) a business case was prepared following a DWI internal review of community employment. The business case so it now appears, failed to adequately examine the consultative process preceding the development of the case and did not contain any evaluation of the delivery of the government's desired outcomes under the organisational arrangements that then existed to enable a comparative assessment to be made.

The business case presented a number of recommendations that made radical changes to the organisational structure that had been in place previously and placed the community employment field officers under the management of the 13 Regional Commissioners. In the Department of Labour there had been 5 regions covering the CEG activity each with its own regional manager who in turn reported to the General Manager CEG. The new DWI HO

organisation provides for a National Practice Manager who reports to the Deputy National Commissioner. That position carries other comprehensive functions within DWI. The effect of these organisational changes means that the senior Community Employment officer in DWI HO is not part of the DWI senior management team. The position is in fact a fourth tier position. In the DOL structure the GM CEG was a second tier manager and part of the senior management team involved in both management and policy matters.

Last year the Social Services Select Committee of Parliament undertook its own Review of the community employment activity in DWI, reporting on 11 October 1999. This review was initiated by the Committee when it became aware of the change in the Community Employment Group's status that was being considered by DWI. In the event the Select Committee's report was not presented until after the decision to re-organise the community employment function in DWI had been taken.

Rightly or wrongly there is a perception that the business case was written to achieve an already determined position. We make no comment on that view but note that the Select Committee in its report was critical of what it saw as an inadequate consultation process. An extract from the Committee's report says:

“While the Chief Executive stated that she was not required to consult, it is regrettable that more extensive consultation did not take place with the groups targeted for assistance by Community Employment”

The Chief Executive of the Department of Labour has pointed out that there is a critical error in the review that preceded the business case relating to the information given to Ministers by the Interim Transition Team about the future organisational arrangements for community employment. There is a statement in the report which reads:

“A 2 June 1998 ITT paper to Ministers noted an overlap of accountabilities between community employment and Regional Commissioners and that in time a full integration would be expected”

This was in fact a statement in an early draft of the paper. The ITT paper that actually went to Ministers (presumably after the matter had been reconsidered) contained a comment that was quite different in its purport. It read:

“The work of CEG is closely aligned with that of Regional Commissioners however full integration of CEG within the regional structure would be inappropriate”

There are no documents available to us indicating that Ministers were consulted before the decision was taken by the Chief Executive of DWI to re-organise the arrangement for community employment by fully integrating responsibility for delivery with the regional commissioner structure.

On 17 February 2000 the Associate Minister of Social Services and Employment directed that proposals to give regional commissioners delegations to approve community employment grants was not to proceed until Ministers had given further consideration to future options for community employment.

Subsequently Cabinet considered but deferred a decision on the future organisational arrangements for community employment until this Ministerial Review had reported and its findings considered by Cabinet.

Discussion

From the information available to the Review Team and from discussions we have had with senior staff in DWI's HO, Regional Commissioners, field workers and others representing community views, there seems to be a wide divergence of views on two major issues.

The first view questions the effectiveness of the community employment activity as it has been delivered. There is a body of evaluative research and other reviews supporting the view that good outcomes for disadvantaged communities have been achieved. On the other hand we received comment questioning whether the Government is in fact receiving value for money and whether the outcomes required by the Government are actually being provided. The second issue is whether the organisational arrangements that now exist in DWI are prejudicing the delivery of government policy and, as a consequence, whether there has been a weakening of networks and other effective mechanisms that have been developed with the community employment target groups to aid the delivery of appropriate and effective options to meet the Government's required outcomes.

In respect of the first question we do not have information available to us that permits us to provide any positive advice. We have been given a range of comment expressing views on both sides. While accepting completely that those who proffered the views were confident in their own judgment, in the case of those advocating for the arrangements that previously existed in the Department of Labour supported by a body of evaluation and reviews, whilst the other was strongly expressed but supported only by anecdotal examples, we have not been able to reach a clear view. What we can say however is that the idea of central government involvement in a policy initiative that provides disadvantaged groups and communities with the opportunity to develop employment options for their advancement is absolutely supported.

In respect of the second question we have again received a range of views. The preponderance indicate however that the change to the organisational structure has prejudiced the delivery of community employment programmes, that the cohesion that previously existed between field workers and the programme overall has been dissipated, that the flexibility and innovative aspects of the work has been curtailed and that there is no obvious interest in the work from DWI top management. We do note that some field workers have said they have developed a very good relationship with their regional commissioner but that the pressure of work on the regional commissioner means that that relationship cannot be translated into positive action to maintain and enhance the policy objectives of community employment. In other cases we are aware that Regional Commissioners place considerable emphasis on the value of community employment programmes as one of the tools to enable them to achieve the Government's employment objectives.

A general view, is that the decision in July 1999 to make such a radical change to the organisational structure for community employment, was precipitate. This is reinforced by the Select Committee's conclusion that consultation was inadequate, as well as it appearing to be at odds with what Ministers had been told earlier, ie "full integration of CEG within the

regional structure would be inappropriate". Since DWI was fully aware of the sensitivity of the matter it would have been a wiser course to have taken the proposal to Cabinet before implementing it.

Conclusions

As is clear from the preceding discussion the way forward for the community employment activity is difficult for us to identify without further work. A reversion to both the structure and location pre DWI is a simple response. The function would, under this option, revert to an environment where the philosophy of community development through employment activities is understood and encouraged. The reinstatement of the organisational structure in DWI that was in place at the time of integration is another option but the skills of a number of the people who were involved at that time have now been lost. A third option is to transfer the community employment function to the new Ministry of Economic Development. A fourth option would be some new organisational approach geared to DoL's view that the function has worked best when it can operate outside the mainstream eg. run by a Board representing the communities themselves.

A further option advocated by some with whom we discussed the issues, is to undertake as soon as possible a review of the policy and delivery of community employment. This would entail a direction from Government as to what it wants to achieve by way of outcomes from such a policy and the target groups upon which Government requires community employment to focus, and would involve a comprehensive consultation process through which the communities' own priorities could be identified. The delivery mechanism and how that should be organised would flow from these processes. It is our understanding Government wants to move quickly in order to preserve the skills and networks currently available but is danger of dissipating. We accept that these considerations are likely to be determine which is the most acceptable option.

Annex L

The Performance of the Department of Work and Income

INTRODUCTION

This note provides information on how DWI's performance is monitored and the extent to which DWI is meeting its objectives. It is divided into three main sections:

- A. **Performance Under the Existing Regime** – an assessment of the extent to which DWI has achieved the objectives specified by the previous Government.
- B. **The Existing Performance Assessment Regime** – a discussion of the range and impact of performance assessment and monitoring processes that apply to DWI.
- C. **Towards a New Performance Assessment Regime** – an assessment of work underway to align services and performance measures with the objectives of the current Government.

A final section summarises the conclusions reached in the other three sections.

The source material for this note includes existing documents on DWI's performance, the responses of departments to the questions put to them by the review team and discussions with officials from DWI, MSP, DoL, Treasury and SSC.

A. DWI'S PERFORMANCE UNDER THE EXISTING REGIME

The previous Government had two distinct sets of objectives that led to the establishment of DWI:

- **structural integration** - the merger of income support and employment functions, and associated financial savings; and
- **employment strategy outcomes** – in particular moving working age beneficiaries into work.

Objectives related to the accurate and timely delivery of income support were later included in the Chief Executive's job description and output performance measures.

The discussion below assesses DWI's performance in terms of the previous Government's objectives. It considers:

- the extent to which DWI has achieved its integration objectives;
- DWI's own assessment of its performance against its Key Performance Indicators (KPIs);
- an assessment of DWI's performance against the measures in its purchase agreement by MSP and DoL acting in their role as purchase and monitoring advisers;
- an assessment of DWI's performance relative to the performance of business units in DSW and DoL before integration;

- the extent to which the specific employment strategy outcomes established by Cabinet have been achieved; and

The discussion concludes with some general comments on DWI's current performance focussing on measurement issues and the relationship between KPIs the purchase agreement.

Structural Integration

An analysis of the extent to which DWI has met its initial integration objectives is contained in the SSC's *Departmental Performance Assessment 1998/99*. This assessment used the *Business Case to Establish the Department of Work and Income* and purchase agreement outputs as the basis for assessing the department's results.

Overall, the SSC commended DWI for meeting the results in the *Business Case* and highlighted a number of major achievements during the nine months to 20 June 1999 including:

- the integration of employment and income support service delivery sites;
- the implementation of major new employment and welfare policies;
- the development of regional plans for 13 regions;
- completion of a major front line restructuring;
- completion of complex employment contract negotiations; and
- the development of new remuneration policies.

Following the establishment of DWI, the integration timeframe was brought forward to enable DWI to deliver an integrated service six months earlier than planned. According to DWI, integration was accelerated because:

- *Ministers and the public expected improved employment outcomes to accrue earlier;*
- *job seekers/non-job-seekers wanted to receive services under the same roof earlier to reduce transaction costs and eliminate confusion about where to receive income and work services; and*
- *staff wanted to perform new roles earlier so that they could provide a fully integrated service to job seekers/non job seekers. Staff also needed to work closer together in order to quickly establish a new WINZ culture.²³*

The SSC commented favourably on the accelerated integration process in its *Departmental Performance Assessment 1998/99*, noting that "the changes to the business case have contributed to improved service delivery sooner than expected".

DWI has met its financial targets for integration. The original business case included total capital and one off costs of integration of \$43.309 million, with downstream net benefits of \$24.038 million per annum, once a steady state was reached.

²³ Business Case for the Establishment of WINZ: Briefing to the Ministerial Review Team, 17 March 1999.

A revised business case has recently been prepared to take account of changes in stakeholder expectations and changes to integration strategies resulting from the DWI strategic plan. This shows a marginal improvement in DWI's financial position over the original business case.

While there is no doubt that DWI has provided services more efficiently as a result of structural integration, there is debate about whether it has been more effective. The issue of effectiveness is discussed further below.

Performance Against the KPIs

DWI has developed its own Key Performance Indicator (KPI) framework with a range of indicators which cover:

- customer satisfaction;
- Maori customer group - percentage on the register, customer development activity and placements;
- benefit accuracy;
- benefit timeliness;
- customer plans – quantity and quality;
- customer development activity;
- placement composition;
- stable employment; and
- budget management.

The KPIs are based on a model that was introduced to Income Support (IS) in early 1997 following a restructuring of IS into functional business units. Key elements of the KPI approach are the inclusion of KPI targets in performance agreements for individual staff and a system of national and regional reporting in terms of the targets.

DWI's internal analysis indicates that it is meeting or exceeding most of its targets, except in the areas of customer plans and stable employment. Most trends are steady or improving. For example it has provided information to the review team showing that:

- performance against the Benefit Accuracy and Timeliness KPIs has shown a gradual improvement since 1997;
- the Customer Satisfaction KPI has remained steady with a noticeable dip around the August-November 1999 period;
- the KPI relating to the Quality of Customer Plans has shown a positive trend since its introduction in the latter months of IS;
- the Stable Employment KPI shows a falling away of results during the first half of 1998 and a complete absence of data due to information technology reporting capability for much of 1998. This occurred during the period when the KPI was the responsibility of NZES. Since the latter part of 1999 (when DWI was responsible for the KPI) there have been major improvement in performance; and
- Customer Development Activity and Placements KPIs show positive trends in recent times.

Performance Against the Purchase Agreement

The main external measure of performance is the extent to which DWI meets the requirements set out in its accountability documents including the purchase agreement, the chief executive's performance agreement and the Estimates of Expenditure.

The purchase agreement specifies:

- the outcomes and outputs being purchased from DWI in support of the Government's overarching goals and strategic priorities.
- the performance measures to be used to assess the delivery of those outputs (in terms of cost, quality, quantity and timeliness); and
- the activity monitors/indicators that are to be maintained.

DWI currently has very large output classes (for example \$276 million for services to provide benefit entitlements and obligations to working age beneficiaries and to promote self sufficiency, and \$210 million on services to minimise the duration of benefit dependency and unemployment and move people into work). Some departments have argued that there should be greater specification of outputs within the output classes to provide a basis for assessing the cost effectiveness of DWI's services.

The output classes and performance measures included in the purchase agreement are similar to those that applied to DSW and DoL before the establishment of DWI. At the time that DWI was established the Minister (Mr McCardle) rejected a closer specification of outputs because he wanted the department to have flexibility to decide on its own delivery approaches.

Performance measures related to DWI's income support role are transactional in nature (for example the accuracy and timeliness of benefits) and are only loosely related to the Government's overarching goals and strategic priorities. This partly reflects the fact that income support services are controlled by legislation and need to be delivered on a uniform basis throughout the country.

In contrast the employment measures are focussed on results rather than processes (for example the number of long term unemployed rather than the number of people participating in employment programmes). This reflects DoL's view that achievement of the Government's goals is the only appropriate measure of departmental performance.

DWI is required to report to the Minister quarterly and at the end of each year on its achievement in terms of the performance measures and activity monitors set out in the agreement. The comments on these reports provided to the Minister by MSP and DoL, in their role as purchase advisers, provide a useful perspective on DWI's performance in terms of its purchase agreement.

Income Support Performance. In its most recent report MSP notes that in the income support area DWI's performance has been satisfactory or more satisfactory against most measures:

“Overall DWI has continued to meet all key performance measures and targets e.g. timeliness and accuracy and within its budget allocation.”²⁴

MSP has recently raised the possibility of some performance measures in the income support area being “moved up” in the 2000/2001 Purchase Agreement, to establish higher expectations for DWI and reflect the fact that DWI appears to be having little difficulty in meeting existing targets.

Employment Performance. In contrast DoL expresses fundamental concerns about the lack of progress being made by DWI in the achievement of its key employment targets. For example it notes that DWI:

- has failed to meet expectations with regard to the target for managing levels of very long term unemployment of four years or more duration;
- was significantly below expectations with respect to the target for managing levels of unemployment of two years or more duration;
- is meeting expectations with respect to the number of customers participating in customer development activities;
- did not meet expectations in reducing the percentage of Maori on the register (the percentage of Maori on the register increased over the period); and
- was substantially below expectations with regard to their annual target for stable employment outcomes for all clients unemployed 6 months or more.²⁵

DWI and DoL have recently held discussions on whether the performance targets need to be revised in the light of analysis of factors influencing the composition of the register. This has implications for the performance targets for reducing levels of unemployment of two to four years duration and four years or more duration and reducing the percentage of Maori on the register. DWI considers that there are mitigating factors affecting its performance against these targets.

DWI considers that DoL’s comments on its stable employment performance are overstated and premature. It argues that the current level of performance, if maintained will see DWI exceeding its purchase agreement target for 2001.

DWI’s Performance Compared with Pre-Integration Performance of Former Business Units

MSP has expressed confidence that Income Support (IS) was an efficient and effective business unit at the time that it left the Department of Social Welfare.²⁶

Income Support was established as a separate business unit in 1992. There had been considerable growth in the number of people receiving benefits during the 1980s and the early 1990s. In addition the 1991 benefit cuts resulted in increases in the number of beneficiaries

²⁴ *Quarterly Performance Report: Work and Income New Zealand (Quarter Ending 31 October 1999)*, MSP.

²⁵ *Department of Labour Comment on the Vote Work and Income 1st Quarter 1999/2000 Report.*

²⁶ MSP Submission to the Ministerial review team, 27 March, 2000.

with supplementary benefits. The net impact was a significant increase in the number of transactions to be delivered.

According to MSP, IS managed this increased workload while at the same time managing to reduce the cost of its overheads. Time to grant benefits was reduced from 8-10 days down to 24 hours. Customised service of beneficiaries (a low level case management) was being progressively introduced. A number of new initiatives, including COMPASS and customer service plans, were introduced to help people move to self-reliance. The agency scored consistently highly in independently managed customer satisfaction surveys.

Despite its view that IS was performing well before integration, MSP analysis indicates that in many areas (for example against the key measures of timeliness and accuracy), DWI is performing better than IS. Customer satisfaction has marginally tracked down since the merger, but this was reversed in the December quarter of this financial year.

In contrast DoL considers that employment results for job seekers are now poorer in some areas than before integration, primarily because of a loss of expertise at the time of DWI's establishment.

DoL considers that the New Zealand Employment service (NZES), Community Employment Group (CEG) and Local Employment Co-ordination (LEC) business units were providing effective services and were well linked with community groups. Relationships with employers are now much weaker, resulting in poorer access to opportunities over the long term. Relationships with communities have also suffered. "A centrally driven and very specific operational style is less than ideal for employment services, which must be flexible and responsive to local labour markets and clients".

DoL considers that while some decline in performance was to have been expected in the period when the new department was established, "continued poor performance, particularly in the employment area would hold significant longer term risks for government. There are some worrying signs of persistent under-performance by WINZ."²⁷

DWI does not agree with these comments and considers it has a very strong relationship with employers, facilitated by work brokers, and that there is no lack of vacancies being placed with DWI. Obviously these two points of view need to be reconciled.

Performance Against the Employment Strategy Outcomes

In view of the fact that the Government's objectives for DWI focussed initially on employment outcomes, it is worth considering how far the results specified in the original Cabinet decisions have been achieved.

In September 1997 Cabinet agreed that Government employment policy would pursue two outcomes:

- The key outcome is the reduction in the percentage of long term unemployment against all working age beneficiary groups by job seekers obtaining unsubsidised employment.

²⁷ DoL Submission to the Ministerial review team, 30 March, 2000.

- The complementary outcome is maximising the involvement of job seekers in community work or training..

The first outcome is reflected in the performance targets in the purchase agreement for reducing levels of unemployment of two to four years duration and four or more years duration and for stable employment.

The second outcome is not directly reflected in the purchase agreement, but the KPI measuring participation in customer development activities (including community work and training) provides a basis for assessing the achievement of this outcome.

As a result of the ongoing debate between DoL and DWI about appropriate measures of performance there is no consensus about how far the outcome related to the reduction in long term unemployment has been achieved. DoL's view is that the Government's desired result of focussing on the long term unemployed and getting them into a real job has not been achieved. DWI's position is that it is too early to tell, but that current trends are pointing upwards.

Participation in customer development activities has trended up since late 1998 and indicates that DWI has had an impact on involvement of job seekers in community work and training.

Comment on DWI's Performance under the Existing Regime

Measurement Issues

There is no doubt that DWI has met, even surpassed, its integration objectives and financial targets. However, while achievement of integration objectives is relatively easily to determine, it is more difficult to measure DWI's impact on employment or wider social outcomes. This is because there are many factors that affect outcomes, and the specific contribution made by DWI cannot easily be assessed.

Employment outcomes and benefit participation trends need to be taken into account in assessing DWI's performance, but in each of these areas there are complex measurement issues to be addressed.

Employment Outcomes. According to DoL, "aggregate employment outcomes are principally the result of overall economic performance and the flexibility and efficiency of the labour market". Many different Government policies have an impact on employment, including fiscal and monetary policies, education and training policies, regulatory frameworks, immigration policies and enterprise and innovation strategies.²⁸

DWI's activities fall within the category of "active employment policies" designed to increase the speed with which unemployed job seekers move into employment. Even within this category, however, the Government's outcomes are affected by other policies not within the control of DWI. For example tax and welfare policies can influence employment outcomes through affecting peoples' choices about labour market participation and their capacity for work.

²⁸ Department of Labour, *Briefing to Ministers 1999*

Benefit Participation Trends. The establishment of DWI was part of a package of measures that included changes to the structure of the domestic purposes, sickness and invalids' benefits and the introduction of the community wage. According to MSP these changes appear to have had some impact on benefit numbers and composition. MSP warns however that it is unclear how much effect any individual change (such as the establishment of DWI) has had on its own. "Indeed it is probable that changes have and are occurring as a result of the 'package approach' taken and as a result of general economic performance."²⁹

In the longer term DWI's contribution to Government outcomes will only be able to be measured through developing a robust model that enables the impact of various factors affecting employment and social outcomes to be identified. Such a model could be used to predict what would have occurred if there had been no intervention by DWI and thus to assess what results are directly attributed to DWI.

Greater focus also needs to be given to developing evaluation processes to assess the effectiveness of DWI's programmes and services. This involves ensuring that objectives of programmes or services are clearly specified (particularly in cases where they have multiple objectives), assessing results in terms of the objectives and, if necessary, using statistical or other methods to determine what results would have been achieved in the absence of the programme or service. Internal benchmarking can also be used to assess performance, for example through comparing the effectiveness of programmes developed in different regions.

The view was expressed to the review team that better information about performance, as well as better employment outcomes, could be achieved through making more of DWI's employment services contestable.³⁰

In considering the extent to which the Government's employment and social outcomes have been achieved, the performance of DWI is closely linked to that of DSW and MSP. The policy/operations split and subsequent establishment of the purchase advice function has created very strong inter-dependencies between all three departments. To maximise outcomes the departments need to work together and develop complementary policy and service delivery approaches. This suggests that:

- all three departments should be responsible for developing better information systems and evaluation techniques; and
- individual departments cannot be held solely accountable for outcomes which are also the responsibility of other departments.

Setting Appropriate Targets

It is important to ensure that the targets set for DWI are appropriate and realistic. Where they are incorporated into external accountability documents, they should be set, as far as possible, at the level of the immediate result of the interventions made by DWI.

²⁹ Ministry of Social Policy, *Post Election Briefing Papers, 1999*

³⁰ Early in the establishment process a decision was made to set aside consideration of contestability of WINZ services. It was considered that after WINZ was established there would be scope for contestability to be introduced. In fact, since its establishment, limited contestability has been introduced, and WINZ has argued against considering contestability owing to the time needed to bed down the integration.

The Audit Office has previously raised concerns with the performance measures being used to assess DWI's performance:

We have serious reservations about many of the performance measures being used by the Department. In our view, they do not reflect the Government outcomes to which the Department's outcomes are intended to contribute. In addition they do not adequately reflect the descriptions of the output classes and do not address key aspects of the Department's operations.³¹

In the employment area, the Audit Office's reservations were that:

- the measures are influenced by a range of factors, some of which are outside the department's control;
- the performance measures are not compared to a "counterfactual" position – that is, what was forecast to have occurred if the Department had not intervened; and
- the basis on which particular levels of performance were determined are unclear.³²

As noted previously, DWI and DoL are considering the appropriateness of the measures used to assess employment performance. In the past DWI has taken issue with DoL's comments in its quarterly reports against the purchase agreement, arguing that it is inappropriate "to hold WINZ to account for the achievement of outcomes versus outputs".

WINZ is a delivery Department charged with delivering services on behalf of Government. The Department of Labour (responsible for providing Labour Market policy) forecasts and sets high level employment outcome targets without establishing how they are to be achieved.

Because these forecasts cannot currently be analysed to demonstrate the degree of success/failure of the component variables (forecast error, WINZ under-performance, economy under performance) it creates the notion that WINZ is responsible for all under-performance. This is highly debatable and calls into question the existing purchase framework (outcomes instead of outputs).³³

These comments reveal a fundamental disagreement between DWI and DoL about what DWI is accountable for and how its performance is to be measured. While ongoing discussions have taken place about appropriate performance measures, it is not clear that the differences between the departments have been resolved.

From an accountability perspective, having agreed to the performance measures in the first place, DWI is not in a position to object when its performance is measured against them. DWI's concerns emphasise the need for it to develop the capability to form its own opinion on appropriate and realistic performance measures.

³¹ 1999/2000 Estimates Examinations, Audit Office Briefing to the Social Services Committee, Vote: Work and Income, 16 June 1999.

³² DoL considers that the Audit Office's comments in this area are inconsistent and that no reservations were expressed in the examination of identical performance measures in the employment area prior to the establishment of WINZ./

³³ Briefing to the Minister of Social Services and Employment, 23 December 1999.

Relationship between KPIs and Purchase Agreement Measures

It is important for DWI to consider the relationship between internal and external performance measures. In some areas DWI's KPIs are similar to the measures in the purchase agreement but in others they are different.³⁴ While internal and external measures do not need to be identical, in most organisations they reflect a common view about key aspects of performance. It is not clear that this is the case in DWI. This may have resulted in confused priorities for staff and high compliance costs in reporting against two sets of indicators.

Some departments commented to the review team that KPIs focus on dimensions that are easily measured rather than those that are important, and are more quantitative than qualitative in nature.

In summary, there is no doubt that DWI has a clear performance culture. However, effort should continue to be devoted to ensuring that the right indicators are used as the basis for external accountabilities and to drive organisational performance.

B. THE EXISTING PERFORMANCE REGIME

DWI's performance needs to be seen in the context of the range of assessment and monitoring processes under which it operates.

Since its establishment in October 1998, DWI has been subject to extensive external scrutiny and review.

Central Agencies

DWI is subject to the same level of monitoring and assessment by central agencies as all Government departments. In particular:

- the **SSC** monitors and assesses the state of the Government's ownership interest through its annual departmental performance assessment and the State Services Commissioner's review of the Chief Executive's performance;
- the **Treasury** monitors spending and reports to the Government on new spending proposals;
- the **Audit Office** audits DWI's financial statements and service performance; and
- **Te Puni Kokiri** monitors DWI's performance in terms of outcomes for Maori.³⁵

³⁴This is particularly true in relation to employment outcomes. While there is a KPI relating to stable employment for job seekers with duration over 26 weeks, there are no KPIs that reflect purchase agreement measures for the reduction in the numbers of long term unemployed 2-4 years and 4 years plus. Placements and Customer Development Plans are not key performance measures in the purchase agreement.

³⁵TPK has yet to undertake any detailed performance audits or reviews of WINZ's service delivery for Maori.

Purchase Advisers

The **Ministry of Social Policy (MSP)** and the **Department of Labour (DoL)** also monitor DWI through their role as purchase advisers to the Minister. These departments:

- provide advice to the Minister on the development of a purchase agreement with DWI;
- monitor and analyse the performance of DWI against the terms of the Purchase Agreement and Estimates of Expenditure; and
- provide advice and assistance in the development of the Estimates of Expenditure and Budget New Initiatives Bids.

MSP's role in purchase advice stems from the separation of major delivery functions from the policy role within the previous Department of Social Welfare (DSW). As well as monitoring the activities of DWI, MSP also carries out a purchase and monitoring function in respect of the Department of Child Youth and Family Services, the Housing Corporation of New Zealand/Community Housing Limited, the Commissioner for Children and the Retirement Commissioner.

A Purchase and Monitoring Group was established within MSP in August 1999 to provide purchase advice and monitoring commentary to Ministers. This group has developed a *Purchase and Monitoring Framework* that summarises how the Ministry will carry out its purchase and monitoring function with delivery agencies.

DoL carries out a role similar to MSP in respect of employment services funded through Vote: Work and Income. DoL has previous experience in purchase advice and monitoring in the ACC area.

External Review

In addition to the ongoing monitoring activities of Government departments, special reviews have been triggered by a number of controversial events over the last eighteen months. These include:

- December 1998: SSC review into the sale of personal information by WINZ staff;
- March 1999: Select Committee review into the administration of student allowances;
- May 1999: Select Committee review into the review of the Community Employment Group;
- August 1999: SSC review into the aircraft charter incident;
- August 1999: Controller and Auditor General review into the aircraft charter incident;
- January 2000: SSC review into the settlement with the staff member who left after the aircraft charter incident;
- January 2000: Controller and Auditor General review into the settlement with the staff member who left after the aircraft charter incident;
- February 2000: SSC review into the administration of student loans; and

- February 2000: Ministerial Review of WINZ.³⁶

Comment On the Existing Performance Regime

Two aspects of the existing performance assessment regime for WINZ are unusual, given DWI's status as a Government department, and are discussed in further detail below:

- the structural arrangements for performance monitoring – in particular the separation of policy and service delivery in the social services and employment area, and the subsequent introduction of purchase advice and monitoring arrangements; and
- the overall level of review – whether as a result of the range of performance assessment activities described above DWI is subject to unnecessary and excessive review.

Structural Arrangements

The structural arrangements under which two departments (MSP and DoL) carry out purchase advice and monitoring in respect of a third department are unusual and do not have a close parallel in other parts of Government. In the Justice sector, the Ministry of Justice advises the Minister and co-ordinates the activities of service delivery departments but it does not have a formal monitoring role.

It can be argued that the arrangements for funding and monitoring DWI are more similar to those for Crown entities than for Government departments. MSP and DoL play a role similar to that of other departments who advise their Minister on the purchase of non-departmental outputs funded through their Vote.

The purchase advisory and monitoring role provides the Minister with a useful source of advice on departmental performance. According to MSP, "the availability of independent policy, purchase advice and monitoring agencies, that are familiar with WINZ operations and have responsibility for the assessment of WINZ performance, provide the best means for Ministers to shape WINZ future performance and directions".³⁷

It is likely that the advice provided to the Minister by the purchase advisers is more independent than in the days when the same department had responsibility for both policy advice and service delivery.

During this review, DWI commented that the nature of its relationship with the two departments differed. From its perspective, MSP's monitoring process is more intrusive and places greater restrictions on DWI's access to the Minister.³⁸ The monitoring process developed by MSP is likely to reflect its view that:

- the purchase adviser has a responsibility to report on "service capability" – to provide assurance that the delivery agencies has appropriate long term capabilities. This involves MSP in monitoring what would usually be associated with protecting the Crown's ownership interest rather than its purchase interest; and

³⁶ List provided in WINZ Briefing to the Ministerial Review Team, 3 March 2000.

³⁷ MSP submission to Ministerial review team, 27 March 2000.

³⁸ WINZ reports on a day to day basis to the Associate Minister. It considers it does not always have access to the Minister of Social Services and Employment when issues such as income support Budget Initiatives are being discussed.

- policy advice is the role of the purchase advisor rather than the delivery agency, especially in the income support area where DWI performs a strictly operational role which is tightly constrained by legislation.

Despite the differences about appropriate performance measures in the employment area highlighted earlier in this note, DWI commented that its relationship with DoL as a purchase adviser was constructive.

While the separation of policy and service delivery *per se* is not unusual in the New Zealand public sector, it is relatively unusual for Government departments (as opposed to Crown entities) to have a solely operational focus. There are some “operational policy” issues on which it is appropriate for DWI to advise the Minister directly (for example the current review of the separation of DWI’s services into generalist and specialist services). In order to provide informed advice DWI’s needs to develop a clear understanding of the Government’s goals and priorities, and an independent analytical and advisory capability.

Under the current arrangements it is not always possible to draw a neat distinction between “operational policy” (within DWI’s responsibilities) and “strategic advice” (within MSP and DoL’s responsibilities). There are risks that:

- purchase advisers may argue that problems with DWI’s performance are “operational” rather than “policy” problems; and
- the operational flexibility of DWI’s chief executive may be compromised if the Minister takes advice from the purchase advisers which does not reflect operational considerations.

The purchase and monitoring arrangements have not yet been operating a full year, and it is too early to comment in detail about how well they are working. What is clear, however, is that the existence of two separate purchase advisers, each with different interpretations of their role, adds considerable complexity to DWI’s operating environment.

A review of the structural arrangements for performance assessment and monitoring may be required in due course. This should focus on the implications on DWI’s performance and accountability of MSP and DoL acting as both policy advisers and purchase advisers.

Overall Level of Review

The range of assessment and monitoring activities places high compliance costs on DWI. DWI has informed the Review Team that the need to provide information for the various reviews and monitoring processes has had significant opportunity costs through diverting attention away from the core business of the department.

In considering the appropriate level of monitoring for DWI, the benefits of managerial flexibility need to be balanced against:

- the size of DWI’s operations and the financial risks to the Crown of poor performance. These risks are increased since DWI is a new department and many of its senior managers have not had previous “corporate office” experience. Doubts were expressed to the review team about whether DWI has developed sufficient expertise to meet normal public service accountability and reporting requirements.
- the need to restore public confidence in the performance of the department.

At a time when there are significant public concerns about the operations of DWI, the Government needs to use all the levers that are available to it to ensure that DWI is meeting its expectations. This means that the Government cannot afford to relax monitoring arrangements that provide information about DWI's performance and indeed may need to strengthen them.

In this environment it is inevitable that DWI will not have the same managerial flexibility as some other departments and will be subject to a level of external scrutiny that it finds less than desirable.

C. TOWARDS A NEW PERFORMANCE ASSESSMENT REGIME

Over the last few months DWI has taken active steps to develop its strategic capability and has carried out a considerable amount of work aimed at providing better information about its performance to the Government. The nature of this work and the extent to which it will assist the current Government in redirecting DWI's efforts to meet its priorities are discussed below.

*Strategy and Capability Framework*³⁹

DWI is developing a *Strategy and Capability Framework* to assist it to provide assurance to the Government that it has the capability to perform in the current year and over the long term.

DWI initiated this work because of its assessment that its ability to provide performance assurance at present is limited because:

- the reporting of business results does not cover all areas of interest to the Government;
- strategy development does not adequately link DWI's capabilities to business results; and
- there is only a limited method for determining if DWI has invested in the right level of capability.

The *Strategy and Capability Framework*, which is intended to be operational by 30 June 2000, is an ambitious project that seeks to align all aspects of business strategy and capabilities with the Government's strategic goals and priorities. According to DWI, it will help to achieve:

- sound investment decisions – through developing a business model that ensures that investment in a given capability can be measured for its impact on business results;
- performance measurement and management – through defining expected performance levels that are aligned with the Government's strategic priorities and providing the basis for holding business unit managers accountable for achieving these performance levels;
- early warning on potential performance issues – through assessing the health of underlying capabilities;
- improved decision making and accountability – through developing a new reporting process that will identify the cause of any performance variation, forecast the potential

³⁹ This summary of the Strategy and Capability framework is drawn from the draft *Revision to the Business Case for the Establishment of WINZ*, 15 March 2000.

impacts, assign accountability for results and continue to track those accountable until a result is achieved; and

- co-ordinated improvement effort – through developing a standardised approach to business cases that will enable comparison between the relative merits of all proposed projects and provide those who approve projects with a greater degree of confidence in the underlying analysis.

Performance Measures Review

While the *Strategy and Capability Framework* has a primarily internal focus, work on performance measures is being carried out from an external as well as an internal perspective.

In the context of decisions on DWI baselines and output class structure, Cabinet directed officials from DWI Treasury, MSP and DoL to report to Ministers by 30 November 1999 on:

- the effectiveness of performance measures;
- an assessment of the ability of DWI to provide effective information on the linkages between its programmes and the selected outcome measures; and
- recommendations for any changes to the performance measures.

The terms of reference for this review also require officials to identify the implications of any changes to performance measures to the structure of the Vote.

Following the change of Government in November 1999, the deadline for this project was deferred.

To assist in identifying appropriate performance measures, officials have developed an *Intervention Logic Model* which provides a basis for aligning measures to the Government's strategic goals. Officials have developed 125 draft income support measures/activity monitors and 38 employment measures/activity monitors based on the model.⁴⁰

For each of the draft measures, officials have undertaken preliminary analysis on:

- the degree to which DWI is able to control the achievement of the measure;
- the cost of measurement;
- whether the measure is a "critical measure"; and
- whether the measure should form part of the purchase agreement or whether it should be used for internal monitoring.

It has been agreed that the results of this work should be considered in the light of the Government's new priorities in the employment and income support area, as part of the *Strategy and Capability Framework* and in the subsequent revision of the purchase agreement.

⁴⁰ The greater number of income support measures reflect the current complexity of the benefit system.

Incorporating the Current Government's Objectives

Since the Government's strategic goals and priorities are the starting point for the *Strategy and Capability Framework*, DWI has been anxious to clarify the current Government's goals in order to ensure that it can make appropriate adjustments to the framework.

To assist in this task, DWI has developed for the Minister a set of proposed outcomes and strategic priorities drawn from sources such as political party manifestos and published comments from Ministers. The proposed outcomes, which reflect feedback from the purchase advisers and the Minister are:

- *to increase people's capacity to participate in community life through providing full income support entitlement first time;*
- *to increase the movement of individuals into employment and social assistance with particular priority for Maori, Pacific peoples and people with disabilities;*
- *to close the economic and employment gaps by establishing partnerships with Maori for developing self determining solutions;*
- *to ensure alignment with the key goals and Department of Work and Income strategies for priority communities through inter-sectoral and community partnerships; and*
- *to protect the Government's ownership interest.*

These outcomes are designed to reflect the current Government's priority on reducing financial hardship and ensuring that beneficiaries in need gain access to income support and other services. They have yet to be approved by the Minister.

DWI has also started work on redefining its output classes to reflect the proposed outcomes. Its current intention is to restructure the Vote in time for new output classes to be incorporated into the 2000/01 purchase agreement.

Other Initiatives to Improving the Effectiveness of Delivery

Other initiatives underway within DWI designed to improve service delivery are:

- the current analysis being undertaken around the split in delivery of income and employment services;
- the establishment of a team of internal experts for the analysis of labour market and employment performance;
- the development of a Maori Service Delivery strategy, which links to work being undertaken by DoL in relation to the "Closing the Gaps" strategy;
- joint work being undertaken by DoL and DWI on the disparities between the register and the Household Labour Market information survey;
- joint work with MSP to address the alignment of data held in the SWIFTT and SOLO information systems, particularly to better support MSP forecasting;
- ongoing monitoring and evaluation of the effectiveness of service delivery performance, particularly employment programmes and interventions;

- the Activity Based Costing project which provides a tool to assist with Output costing, enables managers to make better, more informed decisions and enhances the management information available; and
- continuation of the development of the FOCIS information technology project, to provide better systems for frontline staff and to enhance Government's ownership interest.

Comment on Current Work On Performance

The development of the *Strategy and Capability Framework* is an important step in linking DWI's services and programmes to the Government's goals and objectives. This note expresses reservations about aspects of the framework, as discussed below, but these should not be interpreted as a criticism of the more strategic approach that DWI is now taking to business development.

It will be important to ensure that the *Strategy and Capability Framework* is sufficiently flexible to accommodate ongoing dialogue with the Minister about the Government's goals and how they should be delivered.

The timeframe for implementing the framework is ambitious. For example, it was originally intended that a new purchase agreement would be in place by 1 July 1999. DWI has recognised that it will be unable to complete this goal and is working with MSP, DoL and Treasury on the design of a new purchase agreement for implementation by 1 October 2000.

The ambitious timeframe reflects a "can do" attitude which is both a strength and a weakness of DWI. It can be argued with the benefit of hindsight that DWI's decision to accelerate the process of structural integration was risky. In a similar way it will be important to ensure that the quality of work carried out under the *Strategy and Capability Framework* is not compromised by the need to meet unachievable deadlines.

If the framework is to achieve its aim of re-focussing DWI on the Government's goals and priorities, it will need to be understood and "owned" by everyone in the organisation. An ambitious timeframe may compromise this aim, especially when the attention of many managers within DWI is taken up with the need to respond to external reviews and restore DWI's public image.

There is a risk that too much is being expected and promised in terms of what the *Strategy and Capability Framework* will deliver. The extent to which the framework can provide performance assurance depends not only on whether appropriate linkages are made between outcomes and service delivery but also on the quality of the measures that are used to assess these linkages.

The Performance Measures Review has developed an extensive list of indicators, but has not yet completed the task of narrowing these down to a much smaller number of measures that will provide an overall picture of DWI's performance in key areas. There is also no evidence that it has succeeded in resolving the fundamental difference between officials about how DWI should be held accountable in an environment when achievement of the Government outcomes is partly outside its control. Further work will be necessary to resolve these differences.

Summary of Performance Issues

The following conclusions can be drawn about DWI's performance:

1. The previous Government had an ambitious set of objectives for DWI involving structural integration as well as implementing new policy priorities. DWI has clearly met its integration objectives and its performance targets for the delivery of income support. However, there is debate about the extent to which DWI has achieved the Government's employment strategy outcomes.
2. DWI's performance in the employment area cannot easily be assessed in the absence of a shared view between departments about what DWI is accountable for and how its performance is to be measured.
3. DWI should develop the capability to form its own opinions on appropriate and realistic measures to be used as the basis of external accountabilities and to drive organisational performance. Further consideration should be given to the relationship between DWI's internal KPIs and the performance measures in the purchase agreement.
4. The performance of DWI, MSP and DoL is closely linked. All three departments need to develop a co-operative and integrated approach (incorporating both policy and service delivery) in order to achieve the Government's outcomes.
5. DWI is subject to extensive performance assessment, through the normal accountability processes that apply to all Government departments as well as the new role of MSP and DoL in providing purchase advice to the Minister. In the last few months there have also been a number of external reviews of particular aspects of the department's performance.
6. This level of review has had significant opportunity costs in terms of diverting DWI's attention away from its core business. However, the level of review needs to be seen in the context of the size of DWI's operations and the need to restore public confidence in the performance of the department.
7. The Strategy and Capability Framework is an important step in linking DWI's services and programmes to the Government's objectives. It will be important to ensure that the framework is sufficiently flexible to accommodate ongoing dialogue with the Minister about the Government's goals and how they should be achieved. Overall, the indications that DWI is taking a more strategic approach to business development are encouraging.

Annex M

Property Management

1.1 DWI has a very substantial property portfolio. Anything less than competent management poses a serious financial risk for the department and for the Crown. As at 17 March 2000 DWI occupied 211 properties (including vacant space) involving annual expenditure for rent and associated costs (including car parks @ \$0.9m) of \$37.2m. Attached as Attachment A is a schedule providing space and occupancy, lease term and financial commitments.

1.2 From the information available to the Review Team it appears that the property portfolio has been well managed. DWI acquired at the date of integration the sites previously occupied by Income Support (DSW) and the NZ Employment Service (Department of Labour). The Integration Plan provided for a 4 year process for acquisition and disposal to the planned number of sites. The majority of the plan requirements have been achieved within 18 months and within budget. 27 sites have been expanded to meet the integrated staff and operational requirements, 35 new sites have been acquired and 69 sites have been vacated and disposed of. As of now 7 sites remain vacant and still subject to lease obligations. These sites currently incur an annual cost of \$2m. Attachment A provides information about properties that are sub-leased to external tenants and vacant space on which rent is still being paid. The vacant space amounts to 6.5% of the area in the DWI property portfolio. The Business Case savings to the Crown amount to \$5.4m and is expected to be maintained at that figure. Attachment B is a document setting out the property strategy containing the critical information from the 1998 business case and the revised (year 2000) business case. The earlier achievement of the target has resulted in rental savings being increased from \$2.3m to \$5.4m.

1.3 Comparative data indicates that DWI is well placed as a property manager. The 6.5% vacant space compares favourably with the national market level of 13.6% as at 30 June 1998, although above the 30 June 1998 level for Government Departments of 3.7%. A report in *The Dominion* of 20 April 2000 states that in Wellington vacant central city office space amounts to 12.2%. We also note that the average cost per sq mtr for DWI occupied leases is \$155. According to *The Dominion* article, premium grade office rents in Wellington range from about \$300 to \$340 per sq mtr. The total occupancy cost for DWI as at 21 March 2000 is \$5595 compared with \$5933 for Government Departments and \$4616 for the market level, both as at 30 June 1998. The fit out cost per sq. mtr for DWI as at 21 March 2000 is \$317 compared with the market level of \$470 as at 30 June 1998.

1.4 In the section of this report on IT we have identified a difficulty with consultation and cooperation between agencies. It appears as though the major problem related to property acquisition and expansion was associated with new or additional IT requirements. On the one hand there was the desire of DWI to move as quickly as possible to acquire new sites and provide additional space to enable the "one-stop-shop" policy to be put in place and provide benefit to the Crown by reducing rental costs. On the other was the need for those responsible for IT, and particularly the Consolidated Network, to arrange contracts, install systems, maintain an on-going computer operation and ensure the integrity of the system and its data. Although there appears to have been difficulties between those involved it is to their mutual credit that both objectives were met without disruption to the provision of services and the delivery of government policy.

1.5 We have noted that there is no reference in the Controller & Auditor-General's report to the Minister of Social Services and Employment of 8 February 2000 to DWI's property portfolio and its management. We have discussed this with the office of the Controller & Auditor-General and propose that that office be invited to include a property audit in the next audit of DWI and report to the Minister in the report for the year 2000.

Attachment A

Property Management

PROPERTY PORTFOLIO

(as at 17 March 2000)

SUMMARY

#Property	211	
Area	187,035 m2	
Rent	\$ 29.0m	\$155 / m2
Opex	\$ 7.3m	\$ 39 / m2
Sub-Total	\$36.3m	\$194 / m2
Carparks	\$ 0.9m	
TOTAL	\$37.2m	

PORTFOLIO SPLIT INTO:

WINZ OCCUPANCY

Area	125,701 m2	
Rent	\$ 20.7m	\$155 / m2
Opex	\$ 6.1m	\$ 39 / m2
Sub-Total	\$26.9m	\$194 / m2
Carparks	\$ 0.6m	
TOTAL	\$27.5m	

EXTERNAL TENANTS

# Sub-leases	71	
Area	49,113 m2	
Rent	\$ 6.5m	\$133 / m2
Opex	\$ 0.9m	\$18 / m2
Sub-Total	\$ 7.4m	\$151 / m2
Carparks	\$ 0.3m	
TOTAL	\$ 7.7m	

VACANT SPACE

Area	12,221 m2	
Rent	\$ 1.8m	\$146 / m2
Opex	\$ 0.2m	\$ 20 / m2
Total	\$ 2.0m	\$166 / m2
6.5% by Area of WINZ Portfolio		
9.7% by Area of WINZ Business		

1. Lease Commitments Total **128 million** (annual rental multiplied by unexpired lease term)
2. Average Lease Term (simple) = **3.3 years**
3. Average Lease Term (waited average by size) = **3.7 years**

Attachment B

Property Management Strategy

Property Strategy	Original Business Case	Revised Business Case
Rationalisation Period Period over which staff will be physically located in a single site	4 years	18 months
Pace of Branding Level of branding at the time of rationalisation Period over which full branding of sites will be achieved	Full Branding 4 years	Branded at different levels (ie minimum, partial, full) 7 years
Lease Buyout/subleasing Total number of lease buyouts/subleasing	50 sites	28 sites
Total costs		
Capital costs	\$23.7 million (over 4 years)	\$23.4 million (over 7 years)
Signage	\$2.5 million (over 4 years)	\$2.7 million (over 2 years)
Lease Buyout	\$6.6 million (over 4 years)	\$3.0 million (over 3 years)
<i>Total Costs</i>	<i>\$32.8 million (over 4 years)</i>	<i>\$29.1 million (over 7 years)</i>
Total Operating Benefits		
Rental Savings	\$2.3 million per annum	\$5.4 million per annum