



Service Delivery
Traffic Light System Phase One
Business Process
July 2024

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Purpose

This document outlines business process for overlaying the Traffic Light System onto the current obligation and sanction regime.

It should be read in conjunction with the Phase One TLS Operational Policy Design, objective reference: A16248646

Background

Please refer to the reports sent to Hon Louise Upston REP/24/5/503, REP/24/6/564 and REP/27/7/638

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Overview

The new government has stated in their manifesto they want to do more to get jobseekers off the benefit and into suitable work. To help enable this, they are introducing a Traffic Light System (TLS) to make it clearer to clients how compliant they are, what the consequences are for not meeting their obligations and to expand the toolkit MSD staff have to respond to this.

The TLS will be implemented in two phases. Phase One will be implemented on 12 August 2024. This will involve onboarding all existing clients with work, work preparation and social obligations and assigning them a traffic light colour, based on their level of compliance at go-live. If a client fails an obligation, additional activities or training opportunities may also be assigned for them to complete if MSD determines that it is appropriate.

What is the Traffic Light System

The TLS is a new communications tool which allows staff and clients to identify a client's current level of compliance easily and clearly. This is done by having one of three colours assigned to clients.

These are:

- Green – a client is complying with their obligations and no intervention is required,
- Orange – a client has failed an obligation and they have five working days to dispute the failure or arrange a re-compliance activity,
- Red – a client is actively sanctioned and has not yet re-complied.

The definitions of each colour are as follows:

Green

Clients are at Green when they are complying with all their work-related and social obligations. This is the colour most clients will be in most of the time. Unless clients have an active obligation failure on 12 August 2024, they will be onboarded to Green. Clients move from Green to Orange if they have failed to meet an obligation and MSD has not been advised there was a good and sufficient reason for the failure. Once a client has re-complied or a failure is overturned and their sanction (if imposed) is lifted, they will move back to Green.

Orange

Clients are at Orange for the five working day dispute period after they have failed an obligation. During this time, they can dispute the failure if they have a good and sufficient reason for the failure or re-comply. If they dispute and the failure is overturned, or they re-comply within the five working days, a sanction is not imposed, and they will return to Green.

Red

Clients are at Red when the five working day dispute period has passed, and a sanction has been imposed. Clients will remain at Red until MSD is satisfied the client has started their re-compliance activity and their sanction is lifted or their obligation failure is overturned. When this happens, they will return to Green.

While clients are at Red, they are expected to engage with MSD and re-comply.

Who is included in the TLS?

The Traffic Light System applies to clients who have:

- Work obligations, either part or full time
- Work preparation obligations
- Social obligations

Note: work and work preparation obligations include Work Ability Assessments, working with contracted service providers and attending an interview even if they have an obligation exception.

If clients with these obligations fail to meet them without a good and sufficient reason, their benefit will be sanctioned until they re-comply.

Transitioning between colours

The TLS colours will be managed by OBMAN. Staff won't need to do anything to initiate a change to the client's colour. When MSD staff initiates an obligation failure, it will trigger the move from Green to Orange.

Clients will transition between colours based on their current level of compliance. Clients will start in Green and will stay Green unless they fail an obligation. For example, this could be because they failed to attend an appointment or a seminar.

Once an obligation failure has been initiated, the client will move to Orange. A letter will be issued advising they have;

- failed an obligation, and
- that a sanction will be imposed if they don't have a good reason for failing, and

- to contact MSD to talk about what they need to do to re-comply.

Clients then have five working days to dispute the obligation failure by providing a good and sufficient reason for failing to meet the obligation. They may also re-comply with their obligation within this timeframe. If they have a good reason, or re-comply within this time, they will move back to Green.

If clients don't provide a good and sufficient reason to MSD or re-comply within that timeframe, a sanction will be imposed on day six, and they will move to Red.

Clients will remain in Red until they re-comply (or their sanction is overturned, if they had a good and sufficient reason for failing).

If a client is on their first or second failure, a standard re-compliance activity is set by MSD staff. The re-compliance activity must be the same or substantially similar to the activity they have failed to do.

If a client has failed for a third time, or refuses a suitable job offer with no good and sufficient reason, they move to Red and are subject to a 13-week non-entitlement period. Clients may complete a 6-week re-compliance activity and be granted a provisional benefit. If they complete the activity to a satisfactory standard, the remainder of the non-entitlement period is waived.

Additional activities

After clients have failed their first or second obligation in a 52-week period, they may have additional activities assigned to them by MSD.

The client must complete any activities assigned to them after they have re-complied. A subsequent failure may be initiated if these are not completed without a good and sufficient reason.

Staff should talk with clients at their appointment where the re-compliance activity is assigned to them, to determine whether additional activities are appropriate for them. Additional activities could be assigned either while the client is at Orange, if this happens during the five working day period or at Red, when clients have already been sanctioned.

Additional activities could include, but are not limited to:

- more frequent check-ins with case manager
- providing proof of job search
- attending seminars
- participating in training programmes.

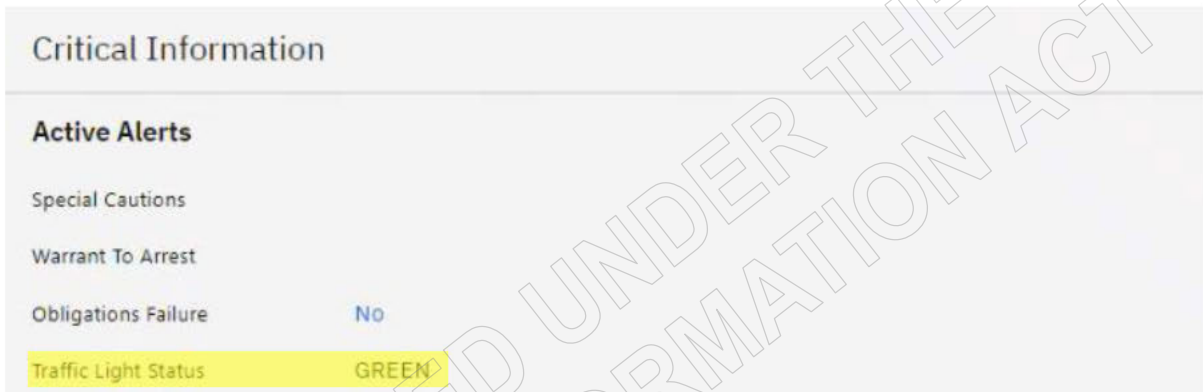
Checking a client's traffic light colour

How will staff and clients check what traffic light a client is at?

Staff will be able to see what colour clients are in CMS and OBMAN.

CMS

The client's traffic light colour will be displayed in the client's main page under the 'Home' tab under 'Active Alerts'. A new 'Traffic Light Status' field will be displayed, with either 'GREEN' 'ORANGE' or 'RED' next to it, depending whether a client is compliant, within the five working day dispute period, or being actively sanctioned. Please see the screenshot below.



OBMAN

In OBMAN, the traffic light colour will be displayed in the 'Obligation Details'. The text will say 'Traffic Light Status' with either 'GREEN' 'ORANGE' or 'RED' depending whether the client is compliant, within the five working day dispute, or being actively sanctioned. Please see the screenshot below.

s9(2)(a)



How will clients know what their traffic light is?

Initially clients will be able to see a banner in their MyMSD account. This will have basic information regarding the TLS and colour settings, with a link to the MSD website for more in-depth information. The information on the website will outline the description of each

of the colours. For example, clients who do not have an active obligation failure are at Green or clients who are actively sanctioned are at Red.

In the near future, MyMSD will have the functionality to display a client's current traffic light colour to them as well as having an alert for when clients are at Orange or Red. Please see below.

myMSD Welcom John
Client number: 55555555 [Logout](#)

[Home](#) > My financial information

[Back](#)

My financial information

Your traffic light status: **Orange**

Kia ora
Arnold
My client number: 555 555 555

Orange Traffic Light
You need to contact us straight away - you're now at orange in the traffic light system. There are things you need to do to meet your obligations.
[Work & Income website](#)

Kia ora
Arnold
My client number: 555 555 555

Red Traffic Light
You need to contact us immediately - you're now at red in the traffic light system. There are things you need to do to meet your obligations.
[Work & Income website](#)

This requires further IT work but will be implemented on xx/xx/xx date, as part of a phase 1a release.

Existing letters about relevant obligations will be updated to include client's current colour.

Letting staff and clients know about the TLS changes

Informing staff

Staff will be informed about the TLS in multiple ways. These will include, but are not limited to:

- Te Kōmako message from Viv
- In the Loop and On the Radar
- Updates to HIYA, Doogle and Map
- Updates to existing obligation management module

Clients

Ahead of go-live, clients will be sent information via an email campaign about the TLS and what to expect from these changes. Information on the Work and Income website will also be updated.

Letters being changed

Once the TLS has gone live, letters sent to clients about obligation failures, sanctions or re-compliance will include information about a client's colour, so that they are easily able to identify where they are in the TLS.

The letters will also have a brief explanation on the boiler plate of what the colours mean for the client. See below.

What the traffic light colours mean

If we talk about traffic light colours in your letter it means there are things you need to do (your obligations) to keep getting payments from us. The traffic light system helps you stay on track and makes it easy to know where you're at, and what you need to do.

The lights mean:

- **green** – you're on track
- **orange** – you need to get in touch straight away to either:
 - > let us know if you have a good reason for not completing the activities we set, or
 - > arrange an activity so you can meet your obligations again
- **red** – your payments have been reduced or stopped. If you haven't already, get in touch with us immediately to get back on track.

[For more information](#)

Visit: workandincome.govt.nz/trafficlights

Onboarding clients into the TLS

The system will manage onboarding automatically. On 12 August 2024, clients with work-related and/or social obligations will move to Green if they don't have an active obligation failure on their record. Any clients who are in the five working day dispute period following a failure will move to Orange. Any clients with active sanctions will move to Red.

Any new clients coming onto a benefit from go-live automatically be set at Green following the grant of their benefit. The TLS will be explained to them as part of new application conversations.

What's not changing.

The process for imposing obligation failures and sanctions

The obligation failure process is not changing with the introduction of the TLS. Before a staff member initiates an obligation failure, they must be satisfied that the client has no

good and sufficient reason for the failure, or have made a reasonable effort to contact the client to check this.

If the staff member is unsuccessful or the client has advised there was no good and sufficient reason, the staff member will initiate the failure in CMS, in the client's service plan. MSD will advise clients that they will need to re-comply or provide a good and sufficient reason before their obligation failure is overturned or re-complied.

Obligation failure count period

Phase one will retain the current obligation failure settings. Each obligation failure is recorded on a client's file for 12 months and then drops off.

For example: a client fails an obligation on 12 April 2024. They had no good and sufficient reason for failing, so it's upheld, and the client re-complies. The client fails to meet their obligations a second time on 6 September 2024. This increases the client's obligation failure count to two. The client re-complies and doesn't fail again. On 12 April 2025, their first obligation failure drops off the client's record, reducing their failure count to one. The second failure remains on file until 6 September 2025, which then reduces their failure count to zero.

The grade of sanction that is imposed depends on what the client's obligation failure count is at the time they fail an obligation.

Graduated sanction regime

Phase one will be retaining the current settings of a three step graduated sanction regime that is imposed when a client fails an obligation.

The sanction regime for a rolling 12-month period is as follows:

- First failure, grade 1 sanction 50% reduction to benefit
- Second failure, grade 2 sanction suspension of benefit
- Third failure, grade 3 sanction cancelation of benefit

For clients with dependent children there is a 50% protection for their benefit rate. This is as follows:

- Grade 1 sanction 50% reduction to benefit
- Grade 2 sanction 50% suspension of benefit
- Grade 3 sanction 50% cancelation of benefit

If a client refuses an offer of a suitable job without a good and sufficient reason, they are given a grade 3 sanction regardless of their obligation failure count.

Note: if clients with dependent children do not contact MSD to re-comply, their benefit may be stopped under a section 304 review.

Appendix one

How do MSD systems 'talk' to one another?

Once a failure is launched in CMS, OBMAN will register the failure and:

- work out the date five working days in the future for when the sanction takes effect
- update the client's colour from Green to Orange
- increase the obligation failure count
- communicate with CMS to update the client's colour from Green to Orange
- issue the notice of obligation failure and sanction letter through ECS

If a client makes contact within the five working days and provide good and sufficient reason for the failure, it will be overturned. This will still be done through OBMAN which will:

- remove the future sanction date
- update the client's colour from Orange to Green
- decrease the obligation failure count
- communicate with CMS to update the client's colour from Orange to Green
- issue a letter through ECS.

If a client makes contact and re-complies within the five working days, the sanction will not take effect, however the obligation failure will still count. MSD staff should lodge the re-compliance through CMS which will update OBMAN. OBMAN will then:

- remove the future sanction date
- update the client's colour from Orange to Green
- communicate with CMS to update the client's colour from Orange to Green
- issue a letter through ECS

If a client does not re-comply or dispute the failure within the five working day period, a sanction will be imposed. This is initiated in OBMAN which will:

- communicate with SWIFTT to impose the sanction
- update the client's colour from Orange to Red
- communicate with CMS to update the client's colour from Orange to Red.

SWIFTT will send a letter to clients advising of the change to their payments due to the sanction. The sanction will remain in place and client's colour will stay Red until they either re-comply or have the obligation failure overturned.

Once a client has re-complied, the sanction can be lifted. This is initiated in CMS which will update OBMAN. OBMAN will then:

- communicate with SWIFTT to lift the sanction
- update the client's colour from Red to Green
- communicate with CMS to update the client's colour from Red to Green.

SWIFTT will send a letter to clients advising of the change to their payments due to the removal of the sanction.

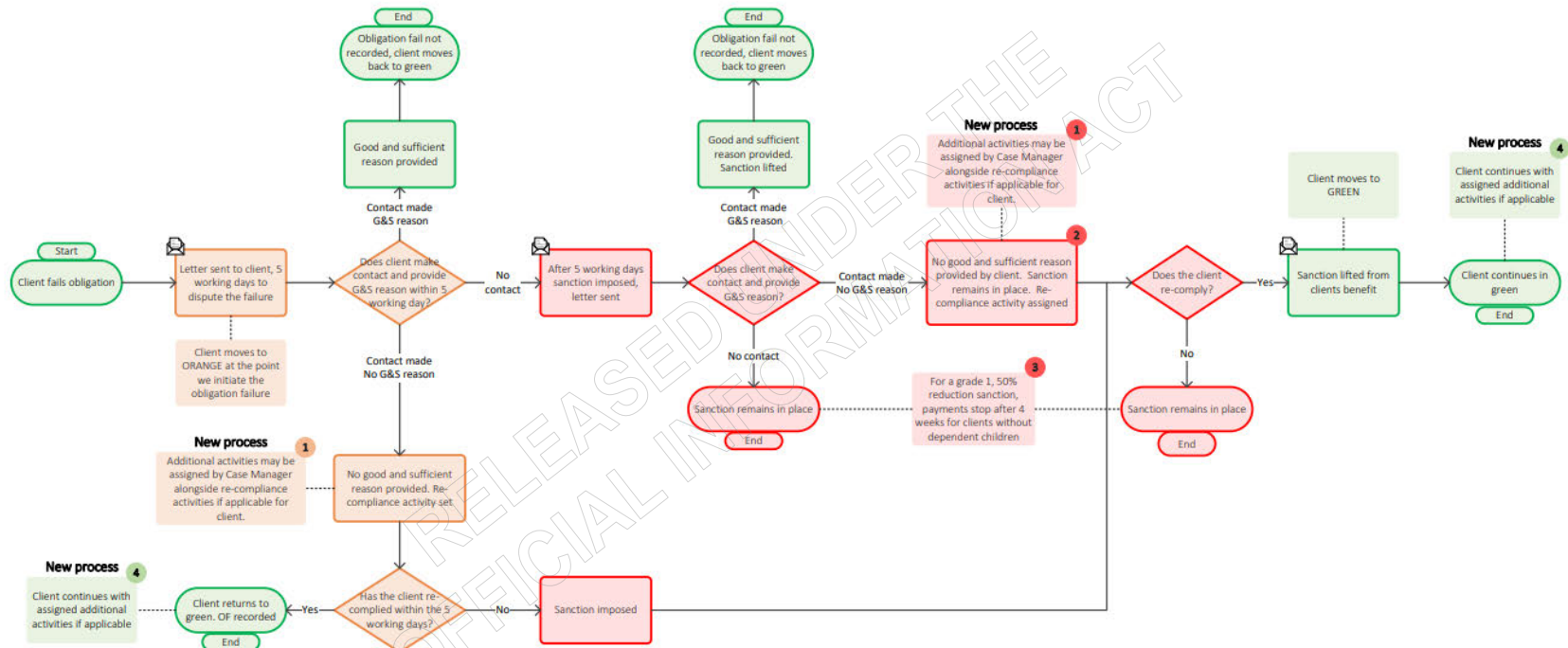
To re-comply after a grade 3 sanction, clients need to engage in a six-week approved activity. While they are completing this activity, they are granted a provisional benefit. To grant the benefit, the obligation failure must be re-complied in OBMAN at the beginning of their six-week approved activity. Clients who are receiving a provisional benefit should be at Red. Due to system constraints, clients will show as being at Green while they receive their provisional benefit. Phase two will update this so they are at Red during this time.

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Appendix two

Traffic Light System

Process flow of obligation failures and new colour setting

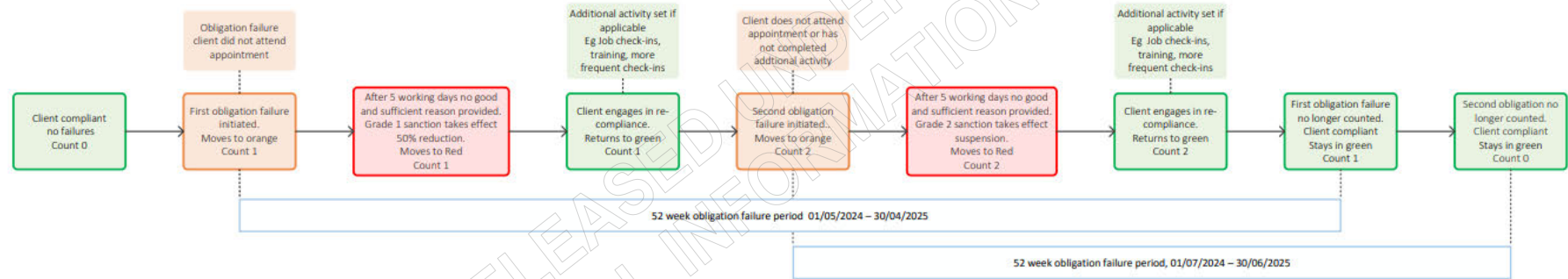


Annotation:

- 1 Extra activities can currently be assigned, this will be separate from the re-compliance activity and be done over a longer period at the discretion of the Case Manager. In Phase 1, these activities will not be tied to orange.
- 2 When a client receives a Grade 3 sanction, their benefit will be cancelled (Clients with children have 50% protection), they will then need to complete a 6 week approved activity or 13 weeks of non-entitlement before returning to green.
- 3 Clients with dependent children have two and four week interventions which involves multiple attempts to contact the client and booking an appointment. This can also result in section 304 being initiated and payments being suspended.
- 4 Failure to complete additional activity could result in a subsequent obligation failure.

Traffic Light System

Example of transitioning through new settings with obligation failure count



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Caveat
In this flow the client does not have good and sufficient reason for failing obligations.