

**[IN CONFIDENCE]**

Office of the Minister for Social Development and Employment  
Cabinet Business Committee

**Additional support for low-income households following COVID-19 Alert Level restrictions**

**Proposal**

- 1 This paper seeks Cabinet approval to provide \$9.664 million to temporarily increase the income limits applying to hardship assistance for four months.

**Relation to government priorities**

- 2 This proposal supports the Government's objective to keep New Zealanders safe from COVID-19 and targets policy responses to the immediate impacts of resurgence-related restrictions on particular groups.

**Executive Summary**

- 3 The recent resurgence of COVID-19 in New Zealand and the prolonged Alert Level restrictions in Auckland has reduced the earning capacity for many low-income households while simultaneously increasing utility costs for those required to stay at home. It is important that the Government continue to support individuals and households during this challenging time.
- 4 The benefit system remains available for many people in these circumstances. This includes hardship assistance for beneficiaries and eligible low-income working families to meet one-off immediate and essential costs (such as food and outstanding power bills). The Government has also activated several key economic supports such as the Wage Subsidy Scheme (WSS) and the Resurgence Support Payment (RSP) to support people through the current COVID-19 resurgence.
- 5 Hardship assistance is tightly targeted with income and cash asset limits to meet the cost of immediate and/or essential needs for people with no other resources available to them. The current income limits have eroded in value relative to wages meaning a single person working just under 30 hours a week on the minimum wage is not eligible for hardship assistance.
- 6 I am concerned that there may be some individuals or households who may have seen a significant drop in income following Alert Level restrictions due to not being able to work or having their hours reduced. Despite this, their income may still be too high to be eligible for hardship assistance.
- 7 I propose temporarily increasing the income limits applying to hardship assistance for four months from 1 November 2021 to provide sustained support to help a wider cohort of low-income families meet their immediate

and essential costs as they respond to and recover from the current COVID-19 resurgence.

- 8 I seek Cabinet approval to total funding of \$9.664 million for this proposal, of which the operating cost of \$5.079 million is from the COVID-19 Response and Recovery Fund. The recoverable assistance cost is expected to be fiscally neutral over the forecast period as the funding provided to clients is expected to be repaid back to the Crown over the next two years.
- 9 I intend to report back to Cabinet before the end of the year on the take-up of hardship assistance since 1 November 2021 and may seek additional funding to extend the proposal within the context of Alert Level restrictions.

## Background

- 10 The recent resurgence of COVID-19 in New Zealand and the prolonged Alert Level restrictions in Auckland has reduced the earning capacity for many low-income households while simultaneously increasing utility costs for those required to stay at home. The households experiencing this additional financial pressure may include casual or part-time workers who may not receive the Wage Subsidy through their employer and people who have had to self-isolate and are unable to work.
- 11 The income support system remains available for people needing assistance. This includes:
  - 11.1 main benefits for those who experience job loss or a reduction of income;
  - 11.2 supplementary assistance (such as the Accommodation Supplement and Working for Families tax credits) for beneficiaries and eligible low-income working families to help with on-going costs (such as rent); and
  - 11.3 hardship assistance for beneficiaries and eligible low-income working families to meet one-off immediate and essential costs (such as food and outstanding power bills).
- 12 Hardship assistance is tightly targeted with income and cash asset limits to meet the cost of immediate and/or essential needs for people with no other resources available to them. It consists of:
  - Special Needs Grants (SNGs) provide one-off recoverable or non-recoverable financial assistance to meet people's immediate and essential needs. A person does not have to be in receipt of a main benefit to qualify for an SNG.
  - Recoverable Assistance Payments (RAPs) provide interest free, recoverable assistance to non-beneficiaries to meet immediate and essential needs. A repayment arrangement is negotiated with clients before the RAP is granted.

- Advance Payments of Benefit (Advances) for up to six weeks are available to all clients in receipt of a main benefit, Orphans Benefit, Unsupported Childs Benefit, New Zealand Superannuation or Veteran's Pension who need assistance to meet a particular immediate need for an essential item or service. If a client is receiving an income-tested benefit, they would generally meet the income test for an Advance Payment of Benefit.
- 13 The current income limits applying to hardship assistance are indexed to the Consumer Price Index. Due to wage growth increasing by more than inflation, income limits have eroded in value relative to wages. This means that currently, a single person working just under 30 hours a week on the minimum wage is not eligible for hardship assistance.
- 14 Since the August lockdown, there has been an increase in the number of declined applications for people applying for food SNGs in particular, who receive no other support from the Ministry of Social Development (MSD)<sup>1</sup>. There has also been an increase in the proportion of food SNGs declined based on cash assets and/or income exceeding the limit. This may be one of the factors contributing to the decline rates for people not receiving MSD support. Since mid-September, the decline rates for this cohort remain largely unchanged.
- 15 I am concerned that there may be some individuals or households who may have seen a significant drop in income following Alert Level restrictions due to not being able to work or having their hours reduced. Despite this, their income may still be too high to be eligible for hardship assistance.

**I propose temporarily increasing hardship assistance income limits for four months**

- 16 I propose temporarily increasing hardship assistance income limits. This will ensure more low-income working families, who may have experienced a reduction in their income due to the resurgence of COVID-19, are able to access hardship assistance to meet their immediate and essential needs. This proposal will apply nationwide and cannot be targeted to a particular region.
- 17 The proposed increase to income limits are outlined in the tables on the next page:

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<sup>1</sup> Decline rates for food SNGs averaged 11 percent for this group in the six weeks prior to the lockdown, compared to 20 percent for applications between 17 August and 10 September.

**Table One: Special Needs Grant and Advance Payment of Benefit gross weekly income limits**

Family circumstances	Current gross weekly income limit	Proposed temporary gross weekly income limit <sup>2</sup>
Single, 16 - 17 years	\$514.41	\$640
Single, 18+ years	\$591.20	\$800
Married, civil union or de facto couple (with or without children)	\$858.72 <sup>3</sup>	\$1600
Sole parent, 1 child	\$717.40	\$1100
Sole parent, 2+ children	\$755.82	\$1400

**Table Two: Recoverable Assistance Payment gross annual income limits**

Family circumstances	Current gross annual income limit	Proposed temporary gross annual income limit <sup>4</sup>
Single, 16 - 17 years	\$26,749.32	\$33,280
Single, 18+ years	\$30,742.40	\$41,600
Married, civil union or de facto couple (with or without children)	\$44,653.44	\$83,200
Sole parent, 1 child	\$37,304.80	\$57,200
Sole parent, 2+ children	\$39,302.64	\$72,800

18 To ensure hardship assistance remains targeted to beneficiaries and low-income working families, and to maintain the integrity of the welfare system more generally, the proposed income limit increases are based on enabling an individual working up to 40 hours a week on the minimum wage to access hardship assistance, and a couple to each work this amount. Currently, a single person can work just under 30 hours a week on the minimum wage before losing access to hardship assistance. The proposed increases therefore represent an allowance of 10 additional hours a week for a single person.

<sup>2</sup> The proposed income limit for a single person (18+ years) is based on working full time 40 hours per week on a minimum wage of \$20 gross per hour. For a couple with children, this limit is doubled; and for a sole parent with one or two children, the limit is a midpoint between the single and couple rate. For a single person (16-17 years) the limit is based on a working full time 40 hours per week on the 'starting-out' minimum wage rate of \$16 gross per hour.

<sup>3</sup> This current income limit means that a couple both working fulltime on the minimum wage would have to lose almost half of their gross weekly joint income to qualify for assistance.

<sup>4</sup> These increases are the annual equivalent of the weekly increases proposed in Table One above.

- 19 The new limits will better reflect potential income losses incurred by low-income working people and widen the cohort of people eligible for hardship assistance. They also better recognise that people receiving the minimum wage are less likely to be able to save for unexpected one-off costs, compared to those receiving an average wage for example. Cash asset limits<sup>5</sup> of these payments will remain unchanged to ensure hardship assistance remains tightly targeted to people with little or no resources available to them.
- 20 MSD staff will be required to identify these new applicants, and will use this as an opportunity to test people's eligibility to a wider range of income support products available to low-income earners, including Family Tax Credits, In-work Tax Credits and the Accommodation Supplement. Appendix One provides the income cut out points for these supports for comparison.
- 21 I intend to report back to Cabinet before the end of the year on the take-up of hardship assistance since 1 November 2021 and may seek additional funding to extend the proposal in the context of Alert Level restrictions.

*I propose to exclude Emergency Housing SNGs (EH SNGs) from this proposal*

- 22 I propose that the increase to hardship assistance income limits does not apply to Emergency Housing SNGs (EH SNGs)<sup>6</sup>. This is because EH SNGs are unique compared to other SNGs as:
- 22.1 they can provide on-going support for people's immediate housing needs (as opposed to one-off assistance), and
- 22.2 there is already discretion to grant an EH SNG in exceptional circumstances when a person's income and/or assets exceed the limits.
- 23 Excluding EH SNGs from the proposal will require a manual work around and there is a risk that MSD frontline staff may make incorrect decisions. This risk will be mitigated by providing clear communications to staff on the process they should follow when assessing eligibility to EH SNGs.

*MSD staff will consider the recoverability of assistance*

- 24 MSD's operational guidance encourages staff to consider an applicant's eligibility to non-recoverable assistance before granting recoverable assistance in alignment with the Government's broader debt to government work programme. Staff will be reminded of this operational guidance following the proposed changes to income limits to minimise debt accrual where possible. Before granting recoverable assistance, staff are required to

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<sup>5</sup> As at 1 April 2021, the hardship assistance asset limit for a single person is \$1,126.21, and \$1,876.56 for a couple with or without children. This is to ensure that the third tier of the welfare system is tightly target to people with little or no resources available to them.

<sup>6</sup> EH SNGs are part of a wider package of products to support people with their immediate housing needs in response to historical pressures on the housing market and homelessness. EH SNGs are considered a form of 'last resort' assistance when a person cannot access any other accommodation adequate for their needs.

negotiate a repayment plan with the client to ensure that repayment is manageable based on the client's individual circumstances. When setting the rate of recovery, staff are encouraged to consider factors such as the effect the rate of recovery will have on the client's ability to support themselves and any dependents they may have and whether or not it would cause undue hardship.

*Increasing hardship assistance income limits will mean less people will be temporarily eligible for Housing Support Products in the first instance*

- 25 Increasing the SNG income limits will result in less people being temporarily eligible for Housing Support Products (HSPs). HSPs provide assistance to help people enter and sustain private rentals. HSPs are generally only available where a person is unable to access other assistance, like hardship assistance. By increasing hardship assistance income limits, some clients will no longer be able to access non-recoverable HSPs in the first instance as they will now be eligible for recoverable hardship assistance. This is an intended feature of the HSP policy however, the new limits will change who is impacted by the policy. § 9(2)(f)(iv)
- 26 MSD expects that there will be minimal impact on take-up and expenditure in relation to these payments as they apply to a limited amount of very specific situations.

§ 9(2)(f)(iv)

- 27 The current income limits applying to hardship assistance are indexed to the Consumer Price Index. Due to wage growth increasing by more than inflation, income limits have eroded in value relative to wages. This means some cohorts who were previously eligible for hardship assistance are no longer able to access it to meet their immediate and essential needs. Currently, a single person can work just under 30 hours a week on the minimum wage before losing access to hardship assistance.

28 § 9(2)(f)(iv)

**Financial and Implementation Implications**

- 29 Increasing the hardship assistance income limits for four months from 1 November 2021 to 28 February 2022 is estimated to cost \$8.719 million (excluding implementation costs). This is made up of \$4.585 million of recoverable assistance and \$4.134 million of non-recoverable assistance. The costings are only indicative as MSD does not know how people outside of the benefit system will behave. Assumptions around client behaviour are modelled using the incomes of existing Accommodation Supplement non-beneficiary clients and take-up of hardship grants, scaled by Statistics New Zealand measurements of family income and cohort sizes.

- 30 This proposal is expected to result in an increase of up to 25,000 additional grants<sup>7</sup> to people engaging with MSD who are no longer receiving any financial assistance or who have never interacted with MSD in the past. As a result, these interactions may take longer than other similar engagements as MSD will need to record the applicants' circumstances such as their relationship status, whether or not they have any dependent children, and their family income.
- 31 Based on a forecast of up to 25,000 new hardship assistance grants, it is estimated that this will create new operational demand equivalent to 40 FTE. The COVID-19 Response and Recovery Funding (*Additional Ministry of Social Development Staff to Respond to New Zealanders' Income, Housing and Employment Needs*) received for temporary staff will offset this demand..
- 32 To ensure that people who are not currently accessing support from MSD are aware of the availability of hardship assistance to meet immediate and essential needs, MSD will run a comprehensive communications campaign. This is detailed further in Appendix Two. The communications will clearly articulate that the change is temporary and will end on 28 February 2022.
- 33 In summary, implementing this proposal will require amendments to various Welfare Programmes and a Ministerial Direction, IT system changes, operational policy guidelines for staff is estimated to cost \$0.945 million in operational costs, comprised of:
- 33.1 \$810,000 for an IT system change, and
- 33.2 \$135,000 for a communications campaign to promote the increase to the target cohort (detailed in Appendix Two).
- 34 Total funding of \$9.664 million for this proposal is sought of which the operating cost of \$5.079 million is from the COVID-19 Response and Recovery Fund. The recoverable assistance cost is fiscally neutral due to the offsetting impact of higher client debt with higher capital receipts.

### Legislative Implications

- 35 Subject to Cabinet approval of the temporary increase to hardship assistance income limits, I intend to amend the below Welfare Programmes and Ministerial Direction under section 101 of the Social Security Act 2018:
- 35.1 Special Needs Grants Programme
- 35.2 Recoverable Assistance Programme
- 35.3 Ministerial Direction on the Advance Payments of Instalments of Benefit.

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<sup>7</sup> This may represent multiple grants to one person.

## Impact Analysis

### Regulatory Impact Statement

36 There are no regulatory proposals in this paper, and therefore Cabinet's impact analysis requirements do not apply.

### Population Implications

37 Due to the limited time available to prepare the costing estimates, distributional impacts for this policy change are not available.

38 Data from 2020 shows that Māori made up over 50 percent of hardship assistance recipients, and Pacific peoples around 11 percent. In addition, we know Māori, Pacific people, and women are overrepresented in low-income earners, and evidence indicates these groups are likely to be among the hardest hit by COVID-19 economic impacts.

39 Māori and Pacific women in particular are over-represented in low-wage employment, and casual, temporary, and other forms of insecure employment. COVID-19 has only exacerbated the situation for these groups, who are also more likely to be in industries impacted by Alert level restrictions.

40 Temporarily increasing hardship income limits will enable a greater number of Māori, Pacific peoples and women who may be struggling due to the economic impacts of the recent resurgence to access hardship assistance.

### Human Rights

41 The proposed changes expand existing eligibility for supports that are already provided. This means there are no new human rights implications introduced by increasing the hardship income limits.

### Consultation

42 The following agencies were consulted in the development of this paper: the Treasury, the Child Poverty Unit, Inland Revenue, and the Ministry of Education. The Department of the Prime Minister and Cabinet Policy Advice Group has been informed.

### Treasury Comment

43 Treasury notes that the funding sought in this paper is time-limited s 9(2)(f)(iv)  
[REDACTED]  
[REDACTED] Further, Treasury remains concerned about the estimated costs for the extensions to these programmes given the challenges in modelling demand driven appropriations which may result in a further funding shortfall.

### Communications

44 Pending Cabinet approval, a communications approach will be developed with relevant Ministers' offices.



**Proactive Release**

- 45 I intend to proactively release this Cabinet paper, with redactions as appropriate under the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister for Social Development and Employment recommends that Cabinet:

- 1 **Note** that the recent COVID-19 resurgence has resulted in prolonged Alert Level restrictions which is placing financial pressure on some households who may be experiencing a reduction in their income and are struggling to meet essential costs
- 2 **Note** that the benefit system, including hardship assistance remains available for many people in these circumstances
- 3 **Note** that despite some low-income earners experiencing a reduction in their income due to COVID-19, their income may still be too high to be eligible for hardship assistance
- 4 **Agree** to temporarily increase income limits applying to hardship assistance for four-months from 1 November 2021 to 28 February 2022 to the following amounts:

<b>Special Needs Grants and Advances</b>		
<b>Family circumstances</b>	<b>Current gross weekly income limit</b>	<b>Proposed temporary gross weekly income limit</b>
Single, 16 - 17 years	\$514.41	\$640
Single, 18+ years	\$591.20	\$800
Married, civil union or de facto couple (with or without children)	\$858.72 <sup>8</sup>	\$1600
Sole parent, 1 child	\$717.40	\$1100
Sole parent, 2+ children	\$755.82	\$1400

<sup>8</sup> This current income limit means that a couple both working fulltime on the minimum wage would have to lose almost half of their gross weekly joint income to qualify for assistance.

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<b>Recoverable Assistance Payments</b>		
<b>Family circumstances</b>	<b>Current gross annual income limit</b>	<b>Proposed temporary gross annual income limit<sup>9</sup></b>
Single, 16 - 17 years	\$26,749.32	\$33,280
Single, 18+ years	\$30,742.40	\$41,600
Married, civil union or de facto couple (with or without children)	\$44,653.44	\$83,200
Sole parent, 1 child	\$37,304.80	\$57,200
Sole parent, 2+ children	\$39,302.64	\$72,800

- 5 **Agree** that the policy decision in recommendation 4 does not apply to Emergency Housing Special Needs Grants
- 6 **Agree** to provide for the implementation costs of the policy decision in recommendation 4 of \$0.945 million
- 7 **Note** that the following changes to capital as a result of the decision in recommendation 4 which impacts on the level of capital receipts received, with a corresponding impact on net core Crown debt:

	<b>\$m - increase/(decrease)</b>				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Capital receipts:</b>					
Benefit Recoveries – current debt	3.210	1.375	-	-	-
<b>Total Capital</b>	<b>(3.210)</b>	<b>(1.375)</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>9</sup> These increases are the annual equivalent of the weekly increases proposed in Table One above.

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- 8 **Agree** to increase spending to provide for costs associated with the policy decisions in recommendation 4 and 6, with the following impacts on the operating and net core Crown debt:

Vote Social Development	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Operating Balance and Net Core Crown Debt Impact	5.079	-	-	-	-
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	1.375	(1.375)	-	-	-
No Impact (Tax on Benefits)	-	-	-	-	-
<b>Total</b>	<b>6.854</b>	<b>(1.375)</b>	-	-	-

- 9 **Approve** the following changes to appropriations to give effect to the decision in recommendation 8

Vote Social Development	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Minister for Social Development and Employment</b>					
<b>Benefits or Related Expenses:</b>					
Hardship Assistance	4.134	-	-	-	-
<b>Non-Departmental Capital Expenditure</b>					
Recoverable Assistance	4.585	-	-	-	-
<b>Multi-Category Expenses and Capital Expenditure</b>					
Improved Employment and Social Outcomes Support MCA					
<b>Departmental Output Expenses:</b>					
Administering Income Support (funded by revenue Crown)	0.945	-	-	-	-
<b>Total Operating</b>	<b>5.079</b>	-	-	-	-
<b>Total Capital</b>	<b>4.585</b>				

- 10 **Agree** that the proposed changes to appropriations for 2021/22 in recommendation 9 above, be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply

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- 11 **Agree** that the operating balance and net core Crown debt impact in recommendation 8 above of \$5.079 million be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020
- 12 **Agree** that the Minister for Social Development and Employment report back to Cabinet before the end of the year on the take-up of hardship assistance since 1 November 2021.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment