

# Aide-mémoire



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

## Cabinet paper

**Date:** 18 May 2021 **Security Level:** Budget Sensitive

**For:** Hon Carmel Sepuloni, Minister for Social Development and  
Employment

**File Reference:** REP/21/5/499

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## Budget 2021 Main Benefit Rate Increases and Related Regulatory Changes

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**Cabinet Committee** Cabinet Legislation Committee

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**Date of meeting** 20 May 2021

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**Minister** Hon Carmel Sepuloni, Minister for Social Development and  
Employment

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**Proposal** The paper seeks authorisation to submit the following legislative instruments to the Executive Council, to give effect to the Budget 2021 main benefit rate increases and related complementary changes on 1 July 2021:

- *Social Security (Rates of Main Benefits) Order 2021*
  - *Social Security Amendment Regulations (No 2) 2021.*
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**Talking points**

- Today, we are announcing big income support changes as part of Budget 2021 to address income inadequacy for those on the lowest incomes.
- On 1 July 2021, main benefit rates will increase by \$20 per week, per adult.
- On 1 April 2022, main benefit rates will increase to the levels recommended by the Welfare Expert Advisory Group, with a further increase for families with children by \$15 per week, per adult.
- Student living support rates will also increase on 1 April 2022 by \$25 per week, per adult.
- These changes align with this Government's priorities to ensure that families on the lowest incomes have more income to meet their everyday living costs, as well as advancing our ten-year child poverty targets.
- Overall, the Budget 2021 initiative and the wider suite of changes we have implemented since 2017 mean that:

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- Main benefit rates will be \$67 - \$86 per week, per adult higher from 1 April 2022 than they would have been under previous settings,
  - Around 109,000 families with children will be, on average, \$175 per week better off, and
  - By 2022/23, the number of children in poverty will have reduced by between 31,000 and 85,000 children compared to the 2017/18 baseline year on the after-housing cost measure.
- There will also be two complementary changes on 1 July 2021, which will prevent people from being financially disadvantaged as an unintended consequence of benefit rate increases in the future
  - The attached Order in Council and Amendment Regulations will give effect to the 1 July 2021 changes.
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**Social Security (Rates of Main Benefits) Order 2021**

*What does the Social Security (Rates of Main Benefits) Order 2021 do?*

- The Order in Council will increase the following main benefits by \$20 (after tax) per week, per adult (\$40 per week for couple rates) on 1 July 2021:
  - Jobseeker Support
  - Sole Parent Support
  - Supported Living Payment
  - Young Parent Payment
  - Youth Payment.

*Why is this change being made?*

- While recent changes have provided significant improvements to the living standards of low-income New Zealanders, income adequacy issues remain for many low-income individuals and families.
  - Increasing main benefits provides targeted income increases to some of the lowest-income individuals and families. This will help to improve income adequacy and child wellbeing, and reduce child poverty.
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**Social Security Amendment Regulations (No 2) 2021**

*What does the Social Security Amendment Regulations (No 2) 2021 do?*

- There are three main changes being made through the Amendment Regulations:
    - Amending the Temporary Additional Support (TAS) Disability Exception Amount formula,
    - Amending the definition of income for Childcare Assistance, and
    - Exempting payments made under the *Benefit Rate Increase (Transitional Assistance) Programme 2021*
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from being considered chargeable income for TAS purposes.

### ***TAS Disability Exception Amount***

*What is the TAS Disability Exception Amount?*

- TAS provides temporary additional financial assistance to clients with excess costs up to a maximum amount, if their essential costs cannot be met from their income and other resources.
- For some people with high disability costs, they can receive more than the maximum amount if they still have excess disability costs outstanding. This is called the Disability Exception Amount, which is paid at 30 percent of the excess disability costs.

*What is changing and why?*

- The current Disability Exception Amount formula can double count disability costs, which results in some clients disproportionately losing their Disability Exception Amount when there is a marginal increase in their income.
- On 1 July 2021 the formula will be amended to remove the double counting of disability costs so that disability costs are more accurately reflected in the formula.
- In addition, the new formula will increase the amount of disability costs covered by the Disability Exception Amount to provide additional support for people with high disability costs. The first \$100 of costs will now be covered in full, while the remaining costs will continue to be subsidised at 30 percent.
- The formula change will prevent people from being financially disadvantaged as an unintended consequence of benefit rate increases in the future.
- It is estimated that around 1,400 individuals and families are expected to gain an average of \$24 per week in July 2021 because of this change.

### ***Childcare Assistance income definition***

*What is Childcare Assistance?*

- MSD administers a range of childcare subsidies, designed to support labour market participation by reducing the costs of childcare.

*What is changing and why?*

- Childcare Assistance is the only supplementary assistance which considers other supplementary assistance as income.
- A main benefit increase may have flow-on effects to some supplementary assistance, which may result in a reduction in, or a loss of, Childcare Assistance and a reduction in overall income.
- This can reduce the financial incentives to work and negatively impact child poverty and income adequacy for low-income families.

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- The Childcare Assistance income definition will be amended to exclude the following types of supplementary assistance from being considered chargeable income:
    - Accommodation Supplement
    - TAS
    - Special Benefit
    - Disability Allowance
    - Special Disability Allowance
    - Youth Payment and Young Parent Payment incentive payments.
  - This change ensures that eligibility for, and the rate of, Childcare Assistance is not affected due to increases in other supplementary assistance in the future (including due to the flow-on effects of main benefit increases).
  - It is estimated that around 2,100 individuals and families are expected to gain an average of \$24 per week in July 2021 because of this change.

***Payments made under the Benefit Rate Increase (Transitional Assistance) Programme 2021***

- While the changes to the TAS Disability Exception Amount formula and income definition for Childcare Assistance will reduce the number of people financially disadvantaged from future income support changes, a small group of people will still be financially worse off from the 1 July 2021 changes.
- Cabinet agreed to provide a Transitional Assistance Payment (TAP) for up to 12 months to those financially disadvantaged on 1 July 2021 to help them transition on to their new level of income [CAB-21-MIN-0116.33 refers].
- The *Benefit Rate Increase (Transitional Assistance) Programme 2021* will provide for the TAP from 1 July 2021, for up to 12 months.
- Cabinet also agreed to exempt this TAP from being considered chargeable income for TAS purposes to avoid creating any unintended circular flows between TAS and this TAP. The Amendment Regulations amends the definition of income for TAS to do this.
- Without this change, a TAP payment paid to cover the loss of a client's TAS Disability Exception Amount could then lead to the client's TAS payments being reduced.

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**Next steps**

If approved, the *Social Security (Rates of Main Benefits) Order 2021* and the *Social Security Amendment Regulations (No 2) 2021* will be submitted to the Executive Council for consideration on 24 May 2021, published in the New Zealand Gazette by 1 June 2021, and come into force on 1 July 2021.

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