

Aide-mémoire

Cabinet paper



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

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For: Hon Carmel Sepuloni, Minister for Social Development

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COVID-19 Recovery Package: Increases to main benefits and the Winter Energy Payment

Cabinet	23 March 2020
Proposal	<p>This Cabinet paper seeks Cabinet approval to submit to the Executive Council the Social Security (Rates of Benefits and Allowances) (COVID-19 Recovery Package) Amendment Order 2020, to give effect to two changes in response to the economic impacts of COVID-19:</p> <ul style="list-style-type: none">• A one-off net \$25 increase to the weekly rates of main benefits• An increase to the Winter Energy Payment (WEP) equivalent to doubling the annual rates of payment for the 2020 winter period (1 May – 1 October 2020 inclusive).
Talking points	<ul style="list-style-type: none">• As you are all aware, phase one of a Recovery package has been agreed to in response to the economic impacts of COVID-19. This package includes making a one-off \$25 increase to main benefits, as well as doubling the rate of the Winter Energy Payment for the 2020 winter period.• This Amendment Order will make the legislative changes required to make these changes.• The increase to main benefits is the largest across-the-board increase in several decades and will help support 350,000 low-income individuals and families.• Doubling the Winter Energy Payment will provide further support to beneficiaries and superannuitants to help meet their heating costs this winter and will benefit about 800,000 people.
Background	<p>The economic outlook has deteriorated significantly as the COVID-19 outbreak has become a global pandemic. An economic response package has been developed in response to</p>

this [CAB-20-MIN-0108 refers]. This package has three immediate components:

- Support to the public health system
- A business and worker support package
- Phase one of a Recovery package to support household incomes.

The changes that the Amendment Order makes are both part of phase one of the Recovery package.

There are no statutory prerequisites for this Amendment Order. That is, the legislation does not set out any additional requirements before the Amendment Order can be approved.

Main benefit increase

On 1 April 2020, the weekly rates of the following benefits will be increased by \$25 net:

- Jobseeker Support
- Sole Parent Support
- Supported Living Payment
- Young Parent Payment
- Youth Payment
- Emergency Benefit¹.

This \$25 increase is in addition to the annual general adjustment increases, which will also be implemented on 1 April 2020. While each adult in a couple will receive an increase of \$12.50 per week, for a small number of couples where one adult is not included in the benefit, the couple will only receive an increase of \$12.50 per week.

This main benefit increase is estimated to cost \$2.366 billion over the next four years.

There are a number of other payments made by the Ministry of Social Development (MSD) that will be affected by this increase, such as housekeepers allowance which has its rate set at the difference between the Jobseeker Support rate payable to the client and the married rate of Jobseeker Support.

Due to complex interactions in the tax and transfer systems, a small number of families will be unintentionally financially disadvantaged as a result of the benefit increase. The existing Income Support Package (Transitional Assistance) Programme will be amended in a separate process to account for reductions in assistance as a result of the main benefit increase.

¹ As the rate of Emergency Benefit is at the discretion of MSD, there is no set Emergency Benefit rate to increase per se. However, in practice Emergency Benefit is generally set at the maximum rate of the equivalent benefit the client would receive if they were otherwise eligible. This is most frequently Jobseeker Support, therefore Emergency Benefit recipients are likely to receive the same increase.

The Cabinet paper seeks Cabinet's agreement that the additional funding needed for this Programme to account for the small number of people who will be financially disadvantaged from the main benefit increase will be met from the existing Transitional Assistance appropriation as there is sufficient funding available in this appropriation. Treasury support this approach.

**Winter Energy
Payment increase**

As part of the Recovery package, Cabinet also agreed that the annual rates of WEP payments for 2020 will be:

- \$900 for single people with no dependent children
- \$1,400 for couples or single people with dependent children.

This will mean that the weekly rate of WEP will be \$40.91 for single people and \$63.64 for couples. WEP will continue to be paid from 1 May to 1 October in 2020.

Doubling the rate of WEP for the 2020 winter period is estimated to cost \$480 million.

As the increase to WEP is temporary, the rate of WEP will need to be decreased back to its current levels before the start of the winter period next year (1 May 2021). While the rate of WEP can be increased through an Order in Council, decreasing the rate requires amending the Social Security Act 2018. The legislative changes required to return WEP rates to their current settings will be done through an urgent bill that Inland Revenue is leading. This bill is planned to complete all House stages under urgency on 7 April 2020.

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