

In confidence

Chair
Cabinet

COVID-19 RECOVERY PACKAGE: INCREASES TO MAIN BENEFITS AND THE WINTER ENERGY PAYMENT

Proposal

- 1 This 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:
 - 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).

Background

- 2 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 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.
- 3 On 16 March 2020, Cabinet agreed to Phase One of a Recovery package in response to the economic impacts of COVID-19. As part of this, it was agreed that on 1 April 2020, the after-tax weekly rates of the following benefits should increase by \$25:
 - Jobseeker Support
 - Sole Parent Support
 - Supported Living Payment
 - Young Parent Payment
 - Youth Payment
 - Emergency Benefit¹.
- 4 This \$25 increase is in addition to the annual general adjustment increases, which will also be implemented on 1 April 2020. This is the first year that main benefits will be adjusted by average wage growth, instead of inflation.

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.

- 5 As part of the same 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.
- 6 For clients, this will mean that the weekly rate of WEP will be \$40.91 for single people and \$63.64 for couples. There are no changes to the period that WEP is paid this year, meaning it will continue to be paid from 1 May to 1 October in 2020.
- 7 This Cabinet paper seeks approval for the legislative changes required to enact both of the changes outlined above.

Main benefit increases

- 8 From 1 April 2020, main benefits will be increased by \$25 (in addition to the wage indexation increase). There are a number of other payments made by the Ministry of Social Development (MSD) that will be affected by this increase.
- 9 It is worth noting that each adult in a couple will receive an increase of \$12.50 per week, and 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.
- 10 A small number of MSD clients are on a grandparented rate of Widows Benefit or Domestic Purposes Benefit². As these are intended to be main benefits, the weekly rates of these two payments will also be increased by \$25 each on 1 April 2020.
- 11 Further, the rates and thresholds for several other MSD payments are tied to main benefits in some way. Given these links, consequential amendments will be made to these rates and thresholds in accordance with their existing relationship with a main benefit rate. For example:
- 11.1 Housekeepers allowance can be paid to a client if their partner is not receiving a benefit and they have a housekeeper who is caring for the client's home and substantially dependent on the client. The rate of this allowance is the difference between the Jobseeker Support rate payable to the client (the half-married rate) and the married rate of Jobseeker Support. Given this relationship, the rate of housekeepers allowance will be increased by \$12.50 to align with the increase for couples where one adult is not included in the benefit.
- 11.2 The blind subsidy is an additional allowance of 25 percent of the average personal earnings of a totally blind person who is receiving Supported Living Payment. The income thresholds for blind subsidy are linked to the half-married rate of Supported Living Payment and the Supported Living Payment abatement formula. Consequently, the income thresholds for the blind subsidy will be increased by \$12.50 to reflect its ties to the half-married rate of Supported Living Payment (see paragraph 9).
- 12 Due to complex interactions in the income support system, a small number of families will be unintentionally financially disadvantaged as a result of the main 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.

² Former recipients of both these payments (who had these payments granted before 15/7/2013), and who were then transferred to Jobseeker Support, had their higher rate of benefit grandparented until their circumstances changed. Consequently, some clients still receive the grandparented rate of Widows Benefit or Domestic Purposes Benefit.

- 13 I seek your 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.

Doubling of the Winter Energy Payment

- 14 For the winter period this year (1 May to 1 October 2020), the weekly rate of WEP will be doubled, with the new rate equating to \$40.91 for single people and \$63.64 for couples.
- 15 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. MSD is working with Inland Revenue on the legislative changes required to return WEP rates to their current settings and this 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.

Operational implications

- 16 While there are risks associated with implementing main benefit increases and WEP increases in a relatively short timeframe, this is mitigated by the fact that MSD is already preparing to increase main benefit rates on 1 April 2020 as part of the annual general adjustment of rates and thresholds. To create efficiencies, implementing this component of the Recovery package will be combined with the operational changes required to implement the annual general adjustment.
- 17 Several thousand records will need to be adjusted manually to ensure that the \$25 increase takes effect and people receive their full and correct entitlement. This is because the rates of payment for people in some specific situations are not calculated automatically by the system. MSD will prioritise this work to ensure that these records are adjusted as soon as possible, however some of these records will not be adjusted by 1 April 2020. The relatively small number of impacted clients will be paid in arrears to ensure they receive the full benefit of the \$25 increase.
- 18 The increase to WEP represents an additional operational step, as WEP is not part of the annual general adjustment. The operational changes required to double the rate of WEP will be done in time for 1 May 2020.

Timing and 28-day rule

- 19 This Amendment Order, if approved, will be submitted to the Executive Council for consideration on 23 March 2020. It will be published in the New Zealand Gazette on the next available date for gazetting and will come into force on 27 March 2020. This will ensure that the proposed amendments are incorporated into the Social Security (Rates of Benefits and Allowances) Order 2020 when it takes effect on 1 April 2020.
- 20 I seek a waiver to the 28-day rule on the grounds that the changes in this Amendment Order only confer benefits to the public, and that early commencement is necessary to be consistent with other changes introduced by the annual general adjustment of rates and thresholds.

Compliance

- 21 The Orders and Amendment Regulations comply, where applicable, with:

- the principles of the Treaty of Waitangi
- the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993
- the principles and guidelines set out in the Privacy Act 1993
- relevant international standards and obligations
- Legislation Guidelines: 2018 Edition, published by the Legislation Advisory Committee.

Regulations Review Committee

- 22 There are no grounds for the Regulations Review Committee to draw the Orders or Amendment Regulations to the attention of the House under Standing Order 319.

Certification by Parliamentary Counsel

- 23 The Orders and Amendment Regulations have been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Communications

- 24 The Minister of Finance announced these changes on 17 March 2020, as part of a wider economic package in response to the impacts of COVID-19.

Proactive release

- 25 I intend to proactively release this Cabinet paper within standard timeframes.

Consultation

- 26 The Department of the Prime Minister and Cabinet – Child Poverty Unit, Treasury, and Inland Revenue have been consulted.
- 27 Ministry of Housing and Urban Development, Ministry of Education, Ministry of Health, Veterans Affairs, Oranga Tamariki – Ministry for Children and Department of Internal Affairs have been informed.

Recommendations

It is recommended that Cabinet:

- 1 **note** that on 16 March 2020, Cabinet agreed to the following changes as part of the Government response to the economic impacts of COVID-19 [CAB-20-MIN-0108 refers]:
 - 1.1 increase main benefit rates by \$25 per week
 - 1.2 double the rate of the Winter Energy Payment for 2020 only
- 2 **note** that legislative changes are needed to enact both the \$25 increase to main benefits and the doubling of the rate of the Winter Energy Payment
- 3 **note** that consequential amendments will be made to a number of payments which have existing links to main benefits
- 4 **note** that Cabinet previously approved funding for the Income Support Package (Transitional Assistance) Programme in December 2019 [SWC-19-MIN-0201 refers] to provide transitional assistance for people affected by the Budget 2019 Income Support Package

- 5 **note** that due to complex interactions in the income support system, the already established Income Support Package (Transitional Assistance) Programme will be amended by the Minister for Social Development to also account for reductions in assistance for a small number of people as a result of the main benefit increase [CAB-20-MIN-0108 refers]
- 6 **agree** that the Transitional Assistance funding required for phase one of the Recovery package will be met from the existing Transitional Assistance appropriation as there is sufficient funding available in the existing Transitional Assistance appropriation
- 7 **note** that further legislative changes are needed to ensure the increase to the Winter Energy Payment is temporary only, and these changes will be made through a bill which is planned to be passed under urgency in early April
- 8 **agree** to a waiver of the 28-day rule on the grounds that the changes being made by the Amendment Order will only confer benefits to the public
- 9 **authorise** the submission to the Executive Council of the Social Security (Rates of Benefits and Allowances) (COVID-19 Recovery Package) Amendment Order 2020.

Authorised for lodgement

Hon Carmel Sepuloni
Minister for Social Development

Proactively Released