

# The Treasury

## Budget 2021 Information Release

### August 2021

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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**Treasury Report:** Impact of a benefit rate increase relative to WEAG recommendations

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<b>Date:</b>	20 November 2020	<b>Report No:</b>	T2020/3497
		<b>File Number:</b>	SH-3-0-1

**Action sought**

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	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<b>Note</b> the contents of the report. <b>Indicate</b> if further advice is required.	None

**Contact for telephone discussion (if required)**

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Name	Position	Telephone	1st Contact
Laura Browne	Senior Analyst, Welfare And Oranga Tamariki <sup>[39]</sup>	<sup>[35]</sup>	✓
Keiran Kennedy	Manager, Welfare And Oranga Tamariki		

**Minister's Office actions (if required)**

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**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** No

# Treasury Report: Impact of a benefit rate increase relative to WEAG recommendations

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## Purpose of Report

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1. We recently provided you with advice on the potential for a main benefit increase (T2020/3462). We understand that in response, you indicated that you would find it useful for any discussions with ministerial colleagues to see what a proposed across the board increase of \$25 per adult would mean relative to the specific percentage increases that were proposed by the Welfare Expert Advisory Group (WEAG). This report responds to that request.
2. As broader context, we understand that the Minister for Social Development and Employment intends to bring a paper to Cabinet on 7 December seeking a Budget pre-commitment for an increase to main benefits. We understand the MSD advice on this topic has been referred to you (REP/20/11/1081 refers).

## Analysis

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3. In May 2018 the previous Government established the WEAG to provide advice on the future of New Zealand's social security system. The group's final report, delivered to Ministers in February 2019, had a broad range of recommendations, including substantial increases to main benefits. The Government subsequently agreed to a Welfare Overhaul work programme [CAB-19-MIN-0170 refers], which was confirmed via the Labour party manifesto.
4. The WEAG's recommendations on main benefit rates were made in the context of broader recommendations for income support. These included significant increases to Working for Families payments, which would significantly improve adequacy for families with children.<sup>1</sup>
5. **Table A** shows the specific increases recommended by WEAG. It also provides an update on progress to date as at 1 April 2021 (including indexation over the past three years), and what a further main benefit increase would mean in this context.
6. In short, significant increases would still be needed to reach the levels recommended by WEAG. For example, the WEAG recommended a 47% increase to the Jobseeker Single rate as at April 2018. Taking into account the benefit increase in April 2020, a further 32% increase (or \$80) would be needed to achieve the WEAG level in April 2021. As a comparison, a \$25 increase is a 10% increase.
7. The main conclusions to be drawn from this analysis are:
  - a **sole parent rates** are close to the level recommended by WEAG;
  - b **for all other rates**, larger increases are still needed in order to meet the levels recommended by WEAG; and
  - c <sup>[33]</sup>

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1 WEAG recommended aligning the with- and without- children rates for couples, as support for families with children would be provided via higher rates of the Family Tax Credit.

8. In the context of the broader Welfare Overhaul work programme, there may be a case to consider different increases for particular groups as an alternate approach to an across-the-board \$25 per adult approach. For example, you could choose to:
  - a <sup>[33]</sup>
  - b provide a smaller increase to sole parents via main benefits, but invest more in other policies such as childcare assistance to support this group.
  
9. Moreover, if you are focused on outcomes for particular groups, there may be levers outside the main benefit rates which would help here (e.g. possible changes to the Accommodation Supplement). The trade-off being that more targeted and technical changes are generally harder to communicate, and the extent to which particular people gain will be dependent on circumstances. However they may make the system more equitable. Officials can provide further advice on options.

## **Recommended Action**

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We recommend that you:

- a **note** the contents of this report;
- b **indicate** if you would like further advice to support discussions around a potential main benefit increase.

*Yes/no*

Keiran Kennedy  
**Manager**

Hon Grant Robertson  
**Minister of Finance**

**Table A**

	Rates when WEAG was released (Feb 19)				Rates from 1 April 2021 – 31 March 2022					
	Actual	WEAG	\$ needed to reach WEAG	% diff from actual rates to WEAG	Forecast Apr 21	Forecast w/\$25 increase	WEAG indexed to Apr 21 <sup>2</sup>	\$ needed to reach WEAG, after \$25 increase	\$25 as % increase	% diff from forecast rates to WEAG
<b>Single adults</b>										
Jobseeker Support Single, 25+	\$215	\$315	+\$100	+47%	\$252	\$277	\$332	+\$55	+10%	+32%
Supported Living Payment, Single, 18+	\$269	\$359	+\$90	+33%	\$309	\$334	\$379	+\$45	+8%	+23%
<b>Sole Parents</b>										
Sole Parent Support	\$334	\$374	+\$40	+12%	\$378	\$403	\$395	-\$8	+7%	+4%
Supported Living Payment, Sole Parent	\$379	\$399	+\$20	+5%	\$425	\$450	\$421	-\$29	+6%	-1%
<b>Couples, without children</b>										
Jobseeker Support Couple (total)	\$359	\$536	+\$177	+49%	\$404	\$454	\$566	+\$112	+12%	+40%
Supported Living Payment couple (total)	\$449	\$610	+\$161	+36%	\$499	\$549	\$644	+\$95	+10%	+29%
<b>Couples, with children</b>										
JS couple with Children (total)	\$385	\$536	+\$151	+39%	\$431	\$481	\$566	+\$85	+12%	+31%
SLP couple with Children (total)	\$474	\$610	+\$136	+29%	\$526	\$576	\$644	+\$68	+10%	+22%
<b>Youth rates</b>										
JS Single, 18-24yrs	\$179	\$315	+\$136	+76%	\$215	\$240	\$332	+\$93	+12%	+55%
SLP Single, 16-17yrs	\$218	\$359	+\$141	+65%	\$255	\$280	\$379	+\$99	+10%	+49%

<sup>2</sup> There are choices around what the appropriate benchmark to use for the WEAG rates is in April 2021 (CPI, wage inflation, or no indexation). The analysis in this table assumes, as a counterfactual, that the WEAG recommendations were implemented immediately, and have been indexed in the same manner as actual rates (firstly by CPI, then by wage inflation from April 2020). On this basis, WEAG rates have been assumed to have increased by approximately 5.5% over the past three years since the report was released.