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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

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[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.

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Report

Date: 4 March 2021

To: Rt Hon Jacinda Ardern, Prime Minister, Minister for Child Poverty Reduction

Hon Grant Robertson, Minister of Finance

Hon Carmel Sepuloni, Minister for Social Development and Employment

Hon David Parker, Minister of Revenue

Further advice on main benefit increases through Budget 2021

Purpose of the report

1 This report responds to the request made by the Minister for Child Poverty Reduction for further advice on a $50 per week increase to main benefits implemented in full on 1 July 2021 or in two stages across 2021 and 2022 [DPMC-2020/21-475 refers].

2 This report contains three parts:

- **Part One:** further advice and updated modelling for a $50 per week main benefit increase, including a comparison of main benefit rates with the Welfare Expert Advisory Group's (WEAG's) recommendations
- **Part Two:** the flow-on impacts of increasing main benefits on other financial assistance; and
- **Part Three**: the interaction between the 1 April 2020 main benefit increase and housing costs.

Executive summary

Part One: Further advice and updated modelling for a $50 per week main benefit increase

3 Recent increases to income support, including the Families Package, the $25 per week main benefit increase on 1 April 2020 and the indexation of main benefits to wages, have provided significant improvements to the living standards of low-income families in New Zealand. However, income adequacy issues remain particularly for single adults without children and couples (with and without children).

4 Larger increases to main benefits of $50 per week would help significantly with objectives to improve income adequacy, improve child wellbeing and reduce child poverty. It would support more ambitious targets for the second round of the three-year child poverty targets and ensure greater progress towards the 10-year targets. A $50 per week increase to main benefits would roughly double the reductions in child poverty on the before-housing-cost primary measure relative to a $25 per week increase.

5 While larger increases to main benefits would help significantly with the Government's objectives to improve income adequacy and reduce poverty, there are some key trade-offs with other spending priorities in Budget 2021 and financial

incentives to study and work. The table below compares the fiscal costs and child poverty impacts of the options currently being considered.

Option	Child poverty before-housing-cost primary measure (2021/22)	Child poverty after-housing-cost primary measure (2021/22)	Average annual fiscal cost
$25 per week increase	9,000 (±5,000)	14,000 (±5,000)	$534m
$50 per week increase	20,000 (±7,000)	25,000 (±6,000)	$1.1b
Staggered $50 increase implemented on 1 July 2021 and 1 April 2022	9,000 (±5,000), increasing to 18,000 (±8,000) in 2022/2023	14,000 (±5,000), increasing to 25,000 (±6,000) in 2022/2023	$949m

6 If benefits are increased by $50 per week, they would generally be around $25 per week higher than equivalent rates of student support. This would have significant implications for the benefit and student interface and would likely reduce the financial incentives to study. Should Ministers wish to progress a $50 increase to main benefits, officials recommend further consideration, with the Ministry of Education, is given to consequential increases to rates of student support.

7 While financial incentives are only one factor that affect people's decisions to work, increasing out-of-work incomes without a subsequent increase to in-work incomes reduces the financial return from work. This can have implications for broader income adequacy objectives, as encouraging paid work is an important tool for alleviating poverty. There are already relatively weak financial incentives to work full-time for some people, such as sole parents and secondary earners in couples with children on low wages/earning the minimum wage. These benefit increases will weaken these incentives further. On the other hand, there continues to be relatively strong financial incentives to work for single Jobseeker Support recipients even with a $50 increase to main benefits.

8 Any negative impacts on work incentives for families with children could be mitigated through increased income support for working families through changes to Working for Families, Childcare Assistance and/or minimum wage settings. Lower cost options to improve Childcare Assistance include re-instating the indexation of income thresholds for Childcare Assistance to average wage growth (as these have not increased since 2010),[33]

9 We have compared benefit rates under a $50 main benefit increase with WEAG's recommendations when applying indexation increases to these recommendations. In summary, with a $50 increase:

- Sole parent rates of benefits would be generally higher than WEAG's recommendations for benefit rates (by $33 per week), but remain lower than their recommendation for the combined impact of increases to benefit rates and the Family Tax Credit (FTC) (by $24 per week when assuming one child);
- Single and couple rates of benefit would still generally be below the level recommended by WEAG (by between $21 to $49 for Supported Living Payment, and $32 to $66 for Jobseeker Support).

Part Two: The flow-on impacts of increasing main benefits on other financial assistance

10 The welfare system is complex and increases to main benefits can lead to a change in entitlement in other assistance such as the Accommodation Supplement (AS) and Temporary Additional Support (TAS). These flow-ons are mostly intended impacts of increasing main benefits and almost all beneficiaries affected by these impacts will still be financially better off because of main benefit increases.

11 Increased income from main benefits at least partially reduce the need for supplementary and hardship assistance - although any flow through to hardship

assistance is likely to be modest as trends in hardship grants are affected by multiple factors beyond just after-housing-cost incomes.

12 The most notable flow-on impact of increasing main benefits is on the Minimum Family Tax Credit (MFTC). The policy intent behind the MFTC is to provide a financial incentive for low-income families to move off the benefit and into "full-time" work. To achieve this, the MFTC threshold is increased whenever benefit rates go up.

13 With a $50 per week increase, officials recommend that the MFTC should be increased from $30,576 after tax per year (or $588 per week) to $34,164 per year (or $657 per week) under a partial alignment approach[1]. A partial alignment approach would ensure that all sole parent families (approximately 90 percent of MFTC recipients), but not necessarily two parent families, would be financially better off receiving the MFTC rather than remaining on benefit [CAB-20-MIN-0512 refers]. This equates to an increase of approximately $69 per week and would cost $65 million over the forecast period (this is included in the fiscal costs of the main benefit proposal).

14 Because a partial alignment of the MFTC represents a significant increase, the MFTC threshold will start to place pressure on the Working for Families (WFF) abatement threshold ($42,700) on a pre-tax basis. If the MFTC threshold exceeds the WFF abatement thresholds, it would create an anomaly in the WFF abatement settings and result in MFTC customers losing some of their other WFF entitlements. These issues and interactions will be considered as part of the wider review of WFF settings being undertaken this year. By comparison, a full alignment of the MFTC would see the MFTC threshold immediately exceeding the WFF abatement threshold from 1 July 2021.

15 Officials recommend that this partial alignment of the MFTC be implemented if the $50 per week benefit proposal is progressed. The partial increase would ensure that the tax credit system (via the MFTC) operates at least partly as intended, and that sole parents will have a financial incentive to work and not be on benefit. Without this increase, MFTC recipients would receive more income by remaining on benefit.

Part Three: The impacts of main benefit increases on housing costs

16 We have also provided advice on whether the 1 April 2020 $25 per week benefit increases had any visible impact on housing costs or pressures. In summary, there remains on-going pressure in the rental market for reasons unrelated to the income support system. MSD administrative data shows no evidence that the 2020 benefit increases had a corresponding impact on housing costs for benefit recipients.

17 Although we cannot observe any increase in rents related specifically to the 1 April 2020 benefit increases, any income increase from factors such as income support changes or minimum wage increases face at least some risk that some of this additional income is captured by landlords in the form of larger than otherwise increases to rents. While the evidence base on landlord capture is mixed, the limited evidence we do have in a New Zealand context is based on AS recipients, and appears to indicate that any such capture, if it does occur, is likely only to be partial amount (just over one third of any increase in payment).

18 Further options to mitigate risks of landlord capture can be considered as part of broader advice on the housing system. It is important to note however that there are limited options available in the short-term specifically to mitigate the risk of landlord

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[1] From December 2020, Cabinet has taken a partial alignment approach to the MFTC when benefit settings have increased. The partial alignment approach bases the MFTC threshold on the sole-parent rate of benefit. This is a departure from Cabinet policy of full alignment, which bases the MFTC threshold on the couple rate of benefit.

capture. Changes the Government has already introduced may assist, such as changes to the Residential Tenancies Act 1986 to limit rent increases to once every 12 months. While there is no single approach or policy lever, officials have identified several areas where work is already underway (housing supply) [33]

19 [33]

Recommended actions

It is recommended that you:

1 **Note** that a $50 increase to main benefits would improve income adequacy and more than double the anticipated reduction in child poverty on the before-housing-cost primary measure compared to a $25 per week increase

2 **Note** that while there are significant benefits for income adequacy, child wellbeing and child poverty reduction, the fiscal costs of a $50 increase mean greater trade-offs with other spending priorities in Budget 2021

3 **Note** that if you wish to increase main benefits by $50 per week, officials recommend further consideration is given to consequential increases to rates of student support to ensure there are no unintended flow-on implications for studying incentives

4 **Agree** to receive further advice on flow-on increases to student support if main benefits are increased by $50 per week

Yes/No	Yes/No	Yes/No	Yes/No
Minister for Child Poverty Reduction	Minister of Finance	Minister for Social Development and Employment	Minister of Revenue

5 **Note** that if further advice is requested in the recommendation above, joint agencies (including the Ministry of Education) will provide detailed advice and modelling to joint Ministers (including the Minister of Education)

6 **Note** that main benefit increases will reduce the financial incentives to work and any such impacts could be mitigated to some extent for families with children through increased in-work supports such as Childcare Assistance and/or Working for Families

7 **Note** that compared to the Welfare Expert Advisory Group's (WEAG) recommendations, a $50 per week benefit increase would mean that:

- Sole parent benefits would be generally higher than WEAG's recommendations for benefit rates, but remain lower than their recommendation for the combined impact of increases to benefit rates and the Family Tax Credit
- Single and couple rates of benefit would still generally be below the level recommended by WEAG

8 **Note** that there are several flow-on implications of increasing main benefit rates, with the most notable being the increase to the Minimum Family Tax Credit. Officials recommend a partial alignment of the MFTC if main benefits are increased by $50 per week – which is estimated to cost $65 million over the forecast period

9 **Note** we found no clear evidence that the 2020 benefit increases led to a corresponding impact on housing costs for benefit recipients

10 **Note**, however, that we expect increases in wages and benefits would increase urban land and house prices because urban land markets are uncompetitive, and it would be very difficult to discern this in data

11 **Note** that options that could mitigate risks of 'landlord capture' should be considered as part of broader advice on the housing system

To the Minister of Finance:

12 **Agree** to forward a copy of this report to the Minister of Housing.

Yes/No
Minister of Finance

Kristie Carter Director Child Poverty Unit Department of the Prime Minister and Cabinet	Keiran Kennedy Manager The Treasury	Polly Vowles Policy Manager Ministry of Social Development	Maraina Hak Policy Lead Inland Revenue

Rt Hon Jacinda Ardern Prime Minister and Minister for Child Poverty Reduction	Hon Grant Robertson Minister of Finance	Hon Carmel Sepuloni Minister for Social Development and Employment	Hon David Parker Minister of Revenue

Part One: Further advice and updated modelling for a $50 per week main benefit increase

Increasing income support is a key lever for reducing poverty

20 Recent increases to income support, including the Families Package, the $25 per week main benefit increase on 1 April 2020, and the indexation of main benefits to wages, have provided significant improvements to the living standards of low-income families in New Zealand. However, income adequacy issues remain particularly for single adults without children and for couples (with and without children).

21 There is also an ongoing need to continue to improve child wellbeing and make progress towards the 10-year child poverty targets under the Child Poverty Reduction Act 2018, which are to at least halve the 2017/18 child poverty rates.

22 The most recent child poverty data shows that all child poverty measures have been trending downwards over the two years since the baseline year of 2017/18, but significant further progress is required to meet the 10-year targets. Changes to income support and employment supports are significant policy levers in helping to improve income adequacy and to continue to make progress towards the targets.

23 It is worth noting that the most recent child poverty data does not yet show the impact of recent changes to income support such as the $25 main benefit increase and indexation changes from 1 April 2020 or reflect the economic impacts of COVID-19.

Upcoming increases to income support will continue to support income adequacy objectives…

24 Main benefits will increase on 1 April 2021 in line with net average wage growth. This means rates will increase by 3.10 percent (an $11.61 per week increase for Sole Parent Support) rather than 1.15 percent had rates still been indexed to inflation.

25 The Government has also announced an increase to main benefit abatement thresholds to $160 and $250 from 1 April 2021 [CAB-20-MIN-0512 refers]. This increase to the abatement thresholds means that beneficiaries will be able to work eight hours on the minimum wage before their benefit begins to abate (up from the current four and a half hours for Jobseeker Support recipients).

26 [33]

… and there is also a Budget 2021 bid to increase main benefits

27 The Minister for Social Development and Employment has been invited to submit a Budget 2021 bid to increase main benefit rates by $25 per week per adult from 1 July 2021 and complementary income support changes. The combined fiscal costs and distributional impacts of these proposals are summarised in the table below.

Option	Child poverty before-housing-cost primary measure	Child poverty after-housing-cost primary measure	Average annual fiscal costs	Distributional impacts
$25 per week increase	9,000 (±5,000); or ~11,000 when including the impacts of abatement change.	14,000 (±5,000); or ~20,000 when including the impacts of abatement change.	$534m (or $2.1b over the forecast period)	Benefit around 436,000 individuals and families by an average of $23pw (this includes 36,000 non-beneficiaries).

28 The Prime Minister/Minister for Child Poverty Reduction has subsequently requested further information on a $50 per week per adult increase to main benefits implemented in full on 1 July 2021 or in two stages across 2021 and 2022 [DPMC-2020/21-475 refers]. The advice in this paper responds to this request further.

A $50 per week main benefit increase will ensure further progress is made on the Government's income adequacy and poverty reduction objectives but there are important trade-offs to consider

29 Larger increases to main benefits will significantly help with the Government's objectives to improve income adequacy and reduce poverty. However, with this comes greater trade-offs with fiscal costs and financial incentives to work and study.

A $50 per week increase to main benefits would significantly reduce child poverty…

30 Increases to main benefits are one of the most highly targeted and cost-effective income support levers to make progress on child poverty. These changes would complement increased employment related supports recently announced, such as the expansion of the flexi-wage and increases to the minimum wage.

31 As shown in the table below, a $50 per week increase to main benefits would more than double the anticipated reduction of child poverty numbers under the before-housing-cost primary measure, when compared with the current Budget 21 bid proposal of a $25 per week increase.

Option	Child poverty before-housing-cost primary measure (2021/22)	Child poverty after-housing-cost primary measure (2021/22)
$25 per week increase	9,000 (±5,000)	14,000 (±5,000)
$50 per week increase	20,000 (±7,000)	25,000 (±6,000)
Staggered $50 increase implemented on 1 July 2021 and 1 April 2022	9,000 (±5,000), increasing to 18,000 (±8,000) in 2022/2023	14,000 (±5,000), increasing to 25,000 (±6,000) in 2022/2023

32 All modelling above is based on current economic forecasts. This means that, for example, the relative poverty threshold can be higher than what the modelling uses if median incomes increase by more than expected. A higher than expected relative threshold could potentially counteract modelled drops in poverty. Note that Treasury's modelling of the impact on child poverty rates using TAWA is more immediate and differs slightly from reporting by Stats NZ – using their current approach the full modelled impact will not show up in Stats NZ figures until the year later (i.e. in the 2024 report on the 2022/23 year).

33 Benefit increases in 2021 and/or 2022 would not have any impact on progress towards the first round of immediate child poverty targets (the first three-year period ends in June 2021), but would be well timed for the second round of child poverty targets. In order to have a full impact on the second round of targets, any changes

would need to be implemented in full by July 2022. The Government has to set the next three-year child poverty targets by 20 June 2021, and income support changes that are planned are an important consideration for the magnitude of the targets that are set.

34 While benefit increases of this magnitude will substantially reduce poverty, both for households with and without children, it is important to note that around 40 percent of children in poverty live in working households[2] and therefore do not gain from these increases. Many of these children would gain from increases to the Family Tax Credit (FTC) instead, as this is received by both beneficiaries and low to middle-income working families. The FTC has greater coverage of households with children on low to middle equivalised incomes (on the other hand, it is not available to those without children).

35 The review of WFF being undertaken this year will consider options to better support low-income families with children, particularly working families. Using the FTC for further increases in income support for families with children would increase the number of low-income families with children who gain. However as noted in previous advice, FTC increases can have higher fiscal costs meaning that benefits remain one of the most cost-effective income support levers for reducing child poverty [REP/20/11/1081 refers].

… but benefit increases are likely to increase fiscal costs and reduce work and study incentives

Fiscal costs

36 Fiscal affordability is an important consideration, particularly in the context of COVID-19 and its impact on government revenue and expenses. A main benefit rate increase of $50 per week presents some key trade-offs with other spending priorities in Budget 2021

37 The additional cost of a $50 per week increase would provide significant additional benefits to low-income individuals and families and achieve significant child poverty reductions. However, as the fiscal costs of a $50 per week main benefit increase are significantly higher than a $25 per week increase this may limit the extent to which progress on other welfare overhaul initiatives could be progressed.

38 The table shows the fiscal costs of the various options being considered, including the complementary changes to income supports and consequential costs of a partial alignment of the MFTC.

Option	2021/22	2022/23	2023/24	2024/45 and outyears	Total
$25 per week increase	$542m	$538m	$532m	$525m	$2.1b
$50 per week increase	$1,069m	$1,060m	$1,046m	$1,027m	$4.2b
Staggered $50 increase implemented on 1 July 2021 and 1 April 2022	$670m	$1,054m	$1,043m	$1,030m	$3.8b

A $50 per week benefit increase may reduce study incentives if progressed in isolation of increases to student support

39 Until 2018, equivalent student allowance and main benefit rates were broadly the same. As a result of recent policy changes made to both the student support and

[2] 2019 Household Incomes Report.

income support systems, main benefit rates are now generally around $25 per week lower.

40 Ministers previously indicated they did not want to consider consequential increases to rates of student support if main benefits are increased by $25 per week. This was on the basis that increases to benefits would bring the two rates closer together.

41 However, should a $50 per week increase to main benefits be progressed through Budget 2021 the rates of student allowance will be lower than main benefits which has implications for people's decisions to study (and these will be even lower when also considering the Winter Energy Payment).

42 The proposal to reinstate the Training Incentive Allowance (TIA)[3] may also incentivise movement onto benefit to undertake study. This is because additional assistance for employment-related training would be provided to certain beneficiaries.

43 The impacts of reinstating TIA, combined with changes to main benefits, may increase the incentives for people to move onto a benefit for some people who otherwise would have accessed the student support system instead. This risk is heightened during periods of higher unemployment, where younger people are more likely to lose their jobs and enter the benefit system.

44 The table below shows what a $25 or $50 increase to main benefits would mean for the rate of main benefit compared to the rates of Student Allowances from 1 April 2021.

	Benefit rate post AGA and $25 increase (net)	**Benefit rate post AGA and $50 increase (net)**	**Student Allowance rates post AGA (net)**
Single adults (25+, 24+ for students)	$283.50	$308.50	$278.19
Couples without children	$463.62	$513.62	$481.28[4]
Couples with children	$491.30	$541.30	$508.08[2]
Sole Parents	$411.78	$436.78	$402.32
Supported Living Payment-sole parents	$460.58	$485.58	

45 If Ministers wish to progress a $50 increase to main benefits on 1 July 2021, officials recommend consideration be given to consequential increases to student support. Any consequential decisions made could be included in this Budget 2021 bid to increase benefits, or could inform a future Budget bid (e.g. Budget 2022).

46 Due to Budget sensitivity, The Ministry of Education have not been consulted on this report. Should further advice and modelling on student support rates be requested by Ministers, officials will work with the Ministry of Education to provide this advice to joint Ministers (including the Minister of Education).

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3 TIA provides non-taxable assistance to clients receiving certain types of benefits to undertake employment related training, and who do not have the necessary work skills, qualifications or recent work experience to obtain employment in the labour market.

4 Assumes the client is a married or partnered student with income of no more than $454.36 per week - Spouse or partner not enrolled in more than half of a full-time course.

47 As a rough indication of costs, a previous Budget 2020 bid to increase student support by $25 per week was estimated to cost around $90m per year in allowances and an additional $50m per year for student loans. A $25 per week increase to student allowances would broadly align rates between the two systems should a $50 increase to main benefits progress.

48 If Ministers are interested in progressing a $50 increase staggered over 2021 and 2022 this would allow further time for consideration of any potential flow-on implications for study incentives.

Increases to main benefits may also reduce the financial incentives to work

49 Levels of income support can influence peoples' decisions to work, or work additional hours. However, financial incentives to work are only one factor that affects work decisions, with other factors including the availability of suitable employment and childcare, macroeconomic conditions, attitudes to risk and whether there are any caregiving responsibilities or health conditions and disabilities within the household.

50 A lack of financial return from work can act as a barrier to work for those who are able to. This may have implications for broader income adequacy objectives, as encouraging paid work is important for any broader strategy for reducing child poverty. It may become more challenging to reach the Government's child poverty reduction targets if the financial incentives to work are reduced significantly. This presents some key trade-offs between improving benefit incomes and improving/maintaining work incentives.

51 Increasing out-of-work incomes (e.g. main benefits) without a subsequent increase to in-work incomes, through increases to in-work payments (such as the In-Work Tax Credit or Childcare Assistance) and/or the minimum wage, will reduce the financial return from work. This impact of this varies between different groups, but in summary:

51.1 **Families without children:** historically, in-work incomes have increased at a much faster rate than out-of-work incomes with minimum and average wage growth exceeding the levels of increases to main benefits. Therefore, there are relatively strong financial incentives to work both part- and full-time as the gap between benefit and work is relatively large. There is little material change in this gap with either a $25 per week or $50 per week increase.

51.2 **Families with children**: out-of-work incomes are currently higher, particularly for sole parents, which means there is a lower gap between benefit and work. This gap is the smallest for those earning the minimum wage. For families with children there are also other key factors that influence the returns from work, including the costs and availability of childcare and the MFTC. The policy intent of the MFTC is to ensure there is an adequate financial return from work at either 20 hours (sole parents) or 30 hours (couples). As the gap between benefit and work narrows, the role the MFTC plays in modifying work incentives strengthens, particularly for sole parents. Under current settings, it is estimated that there will be around 4,700 MFTC recipients in the 2021/22 year – increasing by 1,700 recipients if main benefits are increased by $50 per week. In summary, under current settings these factors mean that benefit increases of $50 per week may reduce the incentives to enter work and increase the incentives to work part-time relative to full-time.

The table below summarises how the incomes of a sole parent family with two children aged 3 and 5[5] changes as they increase their hours work while earning

[5] Receiving the Winter Energy Payment while on benefit and earning the minimum wage and in-work supports while working. This scenario does not factor in housing costs given the variability in individual circumstances.

the minimum wage. Under the status quo, the family would only gain by $85 per week when moving from 20 hours to 40 hours of work, and this reduces to $16 per week under a $50 per week increase. Because they only gain by $16 per week, this could result in relatively large decreases in income if they have any formal childcare costs.

Sole parent with two children	Gain from 0-8hrs	Gain from 8-20hrs	Gain from 20-40hrs
Status quo - with abatement changes (increase in income per hour worked)	**$130** ($16.20/hr)	**$107** ($8.90/hr)	**$85** ($4.30/hr)
$25 main benefit increase (increase in income per hour worked)	**$130** ($16.20/hr)	**$122** ($10.10/hr)	**$45** ($2.30/hr)
$50 main benefit increase (increase in income per hour worked)	**$130** ($16.20/hr)	**$126** ($10.50/hr)	**$16** ($0.80/hr)

52 Any negative impacts on financial incentives for families with children could be mitigated to some extent through increases to in-work incomes – either through increases to WFF and/or minimum wage settings or through reductions in in-work costs such as Childcare Assistance.

53 The review of WFF will consider in-work supports to ensure the benefit/work interface remains appropriate, with the MFTC likely to be a focus of this review given its increasing role in supporting low-income working families. It is important to note that due to fiscal costs, significant increases to main benefits may limit the scope of what is feasible for reform of WFF.

54 In addition, Childcare Assistance aims to support participation in employment, education, and training by helping low- and middle-income families to meet the costs of childcare. The Budget bid to increase main benefits includes a complementary change to amend the definition of income for Childcare Assistance. [33]

55 There are also lower-cost options to improve Childcare Assistance that could be considered to address issues related to income thresholds. The income thresholds for Childcare Assistance have remained unchanged since 2010 and therefore have eroded over time due to not being increased in line with inflation and the minimum wage increasing earnings over time. For example, a couple with two children, where both parents are working full-time on minimum wage, are not eligible for any Childcare Assistance. Options to address this issue could include:

- Re-instating indexation of income thresholds to average wage growth – this is estimated to cost $0.448m in the first year of the forecast period, and $6.089m in the last year of the forecast period.
- Re-instating indexation of income thresholds [33]

Increases to main benefits will bring the equivalent single and couple rates of main benefit closer to New Zealand Superannuation…

56 Currently, rates of New Zealand Superannuation (NZS) are generally significantly higher than rates of main benefits. This is largely due to the historical policy of maintaining NZS rates relative to net average wages and inflation adjustments to benefits rates. The only exception to this rule is the sole parent rate of Supported Living Payment (SLP), which is higher than the single sharing rate of NZS.

57 Increases to main benefits as part of Budget 2021 (either $25 or $50) would mean the equivalent single and couple rates of main benefit are, closer to, but still significantly below the equivalent rates of NZS. Rates of benefits would remain between $130 to $210 per week lower depending on the rate of benefit and option progressed.

58 Under a $50 per week increase scenario, however, it would move the Sole Parent Support rate of benefit above the single sharing rate of NZS. Rates of sole parent benefits were historically higher than single rates of NZS as sole parents had additional caregiving responsibilities. NZS single rates do not include a higher rate for those with dependent children.

59 While generally NZS recipients are less likely to have dependent children, they can still, where eligible, access other support for their dependent children such as the FTC[6] or the Orphan's Benefit (OB)/Unsupported Child's Benefit (UCB)[7]. For the small number of sole parents over 65, they may choose to receive SPS instead of NZS.

…and closer to the levels of income support recommended by the Welfare Expert Advisory Group

60 While a $50 increase to main benefits would mean that sole parent rates of benefit are higher than what was recommended by WEAG, they would remain lower than their recommendation for the combined impact of increases to benefit rates and the FTC. Rates would remain $24 per week lower for sole parents with one child, and $53 per week lower for sole parents with two children.

61 This is largely because the WEAG recommended smaller increases to the sole parent rates of benefit alongside larger increases in the FTC. Providing increases to FTC, alongside benefit increases, has the advantage of providing gains to low income families both on benefit and work, which also helps mitigate any negative impacts on work incentives for sole parents.

62 Single and couple rates of benefit would still generally be below the level recommended by WEAG ($21 to $49 for Supported Living Payment, and $32 to $66 for Jobseeker Support).

63 The analysis 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 8.1% over the past three years since the report was released. Appendix One shows the $50 increase relative to WEAG's recommendations.

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[6] If sole parent rates of benefit overtake some rates of NZS, some superannuitant sole parents may be better off transferring to a main benefit, especially if they are sharing accommodation.

[7] Officials consider OB/UCB and FTC analogous as both are designed to support the cost of children. OB/UCB and FTC cannot be received for the same child.

Part Two: The flow-on impacts of increasing main benefits on other financial assistance

There are also several flow-on implications to consider further

Minimum Family Tax Credit (MFTC)

64 The proposed main benefit rate increase of $50 has significant implications for the MFTC received by some WFF customers. As noted earlier, it is estimated that there will be around 4,700 MFTC recipients in the 2021/22 year.

65 The policy intent behind the MFTC is to provide a financial incentive for low-income families to move off the benefit and into "full-time"[8] work. To achieve this, the MFTC threshold is generally increased whenever benefit rates go up.

66 Since 2006, Cabinet policy has been to fully align the MFTC threshold with benefit settings to ensure all low-income families, regardless of whether they are sole parent or two-parent families, are financially better off working (20 hours for sole parent and 30 hours for two parent families) and receiving MFTC rather than working and receiving a main benefit [CAB Min (04) 13/4 refers].

67 However, since the December 2020 Cabinet decision to increase the benefit abatement thresholds on 1 April 2021, Cabinet departed from this policy by agreeing to a partial alignment[9] of the MFTC threshold for the 2021/22 tax year. A partial adjustment ensures sole parent families (approximately 90 percent of MFTC recipients), but not necessarily two parent families, would be financially better off receiving the MFTC rather than remaining on benefit [CAB-20-MIN-0512 refers].

68 Officials recommend that if Ministers wish to increase main benefits by $50 per week, the MFTC should only be partially aligned. A partial alignment under a $50 per week benefit increase would mean the MFTC threshold would increase on 1 July 2021 from $30,576 after tax per year to $34,164 per year. This equates to approximately $657 per week, a $69 per week increase from the current threshold. A partial alignment of the MFTC would have a fiscal cost of $65m over the forecast period (1 July 2021 to 30 June 2025) and has been reflected in the costings throughout this paper.

69 Because a partial alignment of the MFTC represents a significant increase, the MFTC threshold will start to place pressure on the Working for Families (WFF) abatement threshold ($42,700) on a pre-tax basis. If the MFTC threshold exceeds the WFF abatement thresholds, it will create an anomaly in the WFF abatement settings and result in MFTC customers losing some of their other WFF entitlements. By comparison, under a full alignment, the MFTC threshold would immediately exceed the WFF abatement threshold from 1 July 2021.

70 A partial alignment increase would ensure that the tax credit system (via the MFTC) operates at least partly as intended, ensuring that sole parent families (but not necessarily two parent families) will better off in work and receiving the MFTC than remaining on benefit. This would not be the case if no MFTC increase is made.

71 By comparison, under a full alignment approach, the MFTC threshold would increase from $30,576 to $38,168 (after tax per year) from 1 July 2021. Although a full adjustment of the MFTC would ensure all eligible MFTC recipients (both sole parent and two parent families) would be financially better off receiving the MFTC than they would be remaining on benefit, the fiscal cost is almost four time higher, at $228m

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[8] For MFTC purposes, "full-time" is defined as 20 hours or more per week for sole-parent families, and 30 hours or more per week for two-parent families.

[9] A full alignment approach uses the couple rate of benefit to calculate the MFTC threshold; whereas a partial alignment approach uses the sole parent rate of benefit to calculate the MFTC threshold.

over the forecast period. In addition, a full alignment would see the MFTC threshold immediately exceeding the WFF abatement threshold meaning that MFTC customers would receive less of their other WFF tax credits from 1 July 2021.

72 The relationship between the MFTC threshold and the WFF abatement threshold will be considered as part of the upcoming review of WFF which will be undertaken this year [REP/20/11/1047 refers].

Flow-on impacts that happen automatically where rates and thresholds are linked…

73 The welfare system is complex, and the component parts are often interdependent. Changes in one type of assistance often cause a change in entitlement to other assistance. These flow-on impacts are outlined further below and summarised in Appendix Two.

74 **Main benefit recipients receiving AS** are affected by flow-on impacts of main benefit increases on AS settings. AS recipients renting are expected to use 25 percent (30 percent for homeowners) of their main benefit and eldest child rate of FTC to meet their housing costs. Therefore, any increases to benefit rates and/or FTC may flow through to a lower AS payment for those not receiving the AS maxima. 266,000 individuals and families receiving both a main benefit and AS will be better off overall, by on average $46 per week, as the increase in their benefit payment is only partially off-set by the associated increase in the entry threshold for AS.

75 **Non-beneficiaries receiving AS** are also affected, however the extent to which they gain depends on their level of income and complex interactions between benefit rates and the AS abatement threshold and the AS entry threshold. These interactions mean that as a result of a $50 increase to main benefits:

- 35,000 non-beneficiaries would gain by an average of $19 per week; and
- 26,000 non-beneficiaries would be financially disadvantaged by an average of $11 per week. The number of non-beneficiaries worse-off and the size of the reduction increases if benefits are increased by $50 per week (relative to $25 per week). As noted in previous advice, any Transitional Assistance Payment (TAP) would not extend to this group as this flow-on impact is intended, and reflects that this group is likely to experience wage increases throughout the year (e.g. in part due to the minimum wage increase occurring on 1 April 2021). This approach is consistent with policy design choices made with previous TAPs.

76 **TAS recipients** also receive a slightly lower increase in assistance on average. Beneficiaries not receiving the TAS upper limit are likely to see a reduction in their rate of TAS to reflect an increase in their income. The reduction is not dollar for dollar for main benefit increases (unlike some other policy changes such as AS), because the TAS formula assumes that people's core costs, such as food and electricity, are equal to 70 percent of main benefit rates. A $50 per week increase means that:

- 97,000 individuals and families receiving a main benefit and receiving TAS gain on average $47 per week; and
- a small number of people with high disability costs will be financially disadvantaged and as such, the Budget 2021 bid to increase main benefit rates by $25 a week also includes a complementary change to the TAS formula to reduce the number of financially disadvantaged clients in future benefit increases [REP/21/1/019 refers].

77 The definition of income for **Childcare Assistance** includes main benefits, as well as other MSD assistance such as AS and TAS, as income when determining eligibility. This means increases in benefit payments can directly or indirectly lead to reductions in Childcare Assistance. To prevent people from being financially disadvantaged from the indirect impacts, the current budget bid includes a complementary change to amend the definition of income for Childcare Assistance to exclude these other forms of supplementary assistance as income.

78 The rate of **Income Related Rent (IRR)** is calculated on a client's income and their household type. For main benefit recipients, this generally means they will be paying 25 percent of their income (which includes main benefit income) in rent. Benefit increases therefore lead to most clients needing to pay more for their rent in dollar terms to ensure the 25 percent contribution level is maintained. Rates of IRR are set through regular reviews, generally annually or after a significant change in circumstances. As part of the response to COVID-19 IRR reviews have been paused since March 2020 and will begin to gradually restart at the end of March 2021. This means any increase in IRR is likely to be felt by clients throughout 2021, and any such increase will be higher than otherwise to reflect all of the income support changes implemented since March 2020 (but they will still be better off overall).

<u>Impact on hardship assistance</u>

79 Main benefit increases of either $25 or $50 per week are likely to reduce pressure on the household budgets of individuals and families, reduce material hardship and improve the lived experiences of the families affected.

80 Despite these positive impacts on wellbeing, this may not necessarily lead to a substantial reduction in the receipt of hardship assistance grants because trends in hardship assistance grants are affected by multiple factors beyond just after housing cost incomes, including changes in public awareness, acceptance and the accessibility of hardship assistance.

81 Administrative data suggests that historical trends in hardship assistance tend to track more closely with operational and policy settings of hardship assistance rather than from major income support packages such as the Families Package or the recent $25 per week benefit increases. On balance, MSD expects some reduction in the number of hardship assistance grants all else being equal, but any reduction is likely to be modest. It is important to note that this assessment does not extend to Emergency Housing grants – which are affected by an even broader range of factors not considered in this analysis.

82 Appendix two outlines some further detailed interactions between benefit increases and entitlement for hardship assistance, primarily related to how income is treated for beneficiaries and non-beneficiaries. The review of hardship assistance being undertaken this year by MSD as part of the welfare overhaul will consider these interactions and ensure settings remain fit-for-purpose.

Part Three: the impacts of main benefit increases on housing costs

There is no evidence that the 2020 benefit increases had a corresponding impact on housing costs for benefit recipients

83 We understand that Ministers are interested in whether the 2020 benefit increase had any visible impact on housing costs or pressures.

84 The problem that underlies housing unaffordability is uncompetitive urban land markets. Housing supply does not respond to increases in demand. We expect that any policies that increase disposable income (including a main benefit increase) would allow people to pay more for housing, bidding up rents for everyone, which increases prices for houses and land. Government has a range of institutional reforms underway aiming to solve this specific problem (such as the Urban Growth Agenda and resource management reforms). Unfortunately, it would be very difficult to empirically assess if benefit increases increased urban land prices and housing costs, since the impact is one of a range of factors influencing housing costs.

85 Through AS administrative data we have observed a gradual increase in accommodation costs of beneficiaries who are renting between April 2020 and December 2020. Average accommodation costs for AS recipients over this period rose from $293 to $300, with a relatively steady $1 - $2 increase per month.

86 However, there are some caveats to note with this data:

- The nationwide freeze on rents increases between 26 March to 25 September 2020 prevented landlords directly increasing rents in response to the 1 April 2020 benefit increase, therefore it is not surprising that there has been no noticeable increase.
- Looking at average accommodation costs may mask potential differences for different cohorts of renters during this period and will not reflect decisions made by individual landlords to increase rents for individual clients.
- There was also a significant increase in the numbers of AS recipients over the same period, which could contribute to the overall increase in housing costs.

Risk of landlord capture

87 Although we cannot observe any increase in rents related specifically to the 1 April 2020 benefit increases, any income increase from factors such as income support changes or minimum wage increases for rental households face at least some risk that a portion of this additional income is captured by landlords in the form of increased rental payments.

88 There are concerns in particular around the risks of landlord capture associated with AS changes. It is important to note that there are specific design features of the AS (partial subsidy, paid directly to tenants) that seek to mitigate the extent of landlord capture.

89 While the evidence base on landlord capture is mixed, the evidence we do have is based on housing costs of AS recipients following the AS maxima increase in 2005. This evidence appears to indicate that any such capture, if it does occur, is likely only to be partial. Hyslop and Rae (2018) estimated just over one third of the increase in AS and related payments was absorbed by rent increases. They note that it was not possible from the data to determine if this increase was due to recipients being able to afford to spend more on housing or if it was due to landlords increasing rents. However, it should be noted that any risk of landlord capture is heightened in a supply constrained market.

90 There is on-going pressure in the rental market, for reasons unrelated to the income support system. Both the stock and flow measures from the Stats New Zealand rental price index demonstrate increasing rents. The stock measure shows the increase for all rentals of 3.2% and the flow measure shows the rent increase for new rentals of 1.5% in the year to December 2020. MBIE tenancy bond data also shows evidence that rents are increasing across the regions, with some areas seeing rises of up to 10% for the year to October 2020.

91 While average after housing-cost benefit incomes have increased due to recent income support changes, increasing housing costs have partially eroded the gains made by people in receipt of benefits. Any risk of landlord capture needs to be balanced against the increasing rents leading to declining residual incomes (after housing costs), particularly for the lowest-income households. Alongside rents, residual incomes should also be considered to understand the full picture of housing stress.

Options that would mitigate risks of 'landlord capture' should be considered as part of broader advice on the housing system

92 There are limited options available in the short-term specifically to mitigate the risk of landlord capture. Changes the Government has already introduced, such as changes to the Residential Tenancies Act (1986) to limit rent increases to once every 12 months, may assist. While there is no single approach or policy lever, officials have identified several areas where work is already underway or that could be investigated further.

Housing supply

93 Ultimately, the risk of landlord capture is driven by systemic issues in the housing system, primarily housing supply and exacerbated by housing demand policy settings. These are well-established challenges that officials are providing advice to Government on through a variety of channels. The paper "Backing first home buyers and encouraging property investment into new housing supply" recommends that Cabinet confirms that the Government's overarching policy objectives for the housing market are to:

- Ensure every New Zealander has a safe, warm, dry and affordable home to call their own – whether they are renters or owners:
- Support for more sustainable house prices, including by dampening investor demand for existing housing stock, which would improve affordability for first-home buyers;
- Create a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners, and is well-planned and well-regulated.

94 Through the Public Housing Plan, Government has committed to an additional 8,000 public and transitional housing places.

95 In early March, the Ministers of Finance and Housing will seek Cabinet agreement to additional supply side measures, including the establishment of a fund to allow the Government to accelerate housing supply. Ministers are considering what other measures are appropriate, and will bring further papers through the year.

96 The supply measures will be deployed differently in different places depending on the need and opportunity (e.g. between main urban centres and regional centres).

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Next steps

100 Officials can, if requested, provide further advice on $50 increases to main benefits through Budget 2021 or across Budget 2021 and Budget 2022, including further advice on increases to student support with support from the Ministry of Education.

Appendix One: Comparing a $50 per week increase to main benefits with the Welfare Expert Advisory Group's Recommendations[10]

	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	**Apr 21**	**Jul 21 w/$50 increase**	**WEAG indexed to Apr 21[11]**	$ needed to reach WEAG, after $50 increase	$50 as % increase	% diff from forecast rates to WEAG
Single adults										
Jobseeker Support Single, 25+	$215	$315	**+$100**	+47%	$259	$309	$340	**+$32**	+19%	+32%
Supported Living Payment, Single, 18+	$269	$359	**+$90**	+33%	$317	$367	$388	**+$21**	+16%	+23%
Sole Parents										
Sole Parent Support	$334	$374	**+$40**	+12%	$387	$437	$404	**-$33**	+13%	+5%
Supported Living Payment, Sole Parent	$379	$399	**+$20**	+5%	$436	$486	$431	**-$54**	+11%	-1%
Couples, without children										
Jobseeker Support Couple (total)	$359	$536	**+$177**	+49%	$414	$514	$579	**+$66**	+24%	+40%
Supported Living Payment couple (total)	$449	$610	**+$161**	+36%	$511	$611	$659	**+$49**	+20%	+29%
Couples, with children										
JS couple with Children (total)	$385	$536	**+$151**	+39%	$441	$541	$579	**+$38**	+23%	+31%
SLP couple with Children (total)	$474	$610	**+$136**	+29%	$538	$638	$659	**+$21**	+19%	+22%
Youth rates										
JS Single, 18-24yrs	$179	$315	**+$136**	+76%	$220	$270	$340	**+$71**	+23%	+55%

[10] Access to the data used in this TAWA analysis was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the TAWA, not Stats NZ or individual data suppliers.

[11] 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 8.1% over the past three years since the report was released.

Families with Children[12]	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	**Apr 21**	**Jul w/$50 increase**	**WEAG indexed to Apr 21**	$ needed to reach WEAG, after $50 increase	$50 as % increase	% diff from forecast rates to WEAG
Sole Parent Support										
Main benefit only	$334	$374	**+$40**	+12%	$387	$437	$404	**-$33**	+13%	+5%
w/Family Tax Credit (one child)	$447	$544	**+$97**	+22%	$500	$550	$574	**+$24**	+10%	+15%
w/Family Tax Credit (two children)	$538	$664	**+$126**	+23%	$591	$641	$694	**+$53**	+8%	+18%
Supported Living Payment, Sole Parent										
Main benefit only	$379	$399	**+$20**	+5%	$436	$486	$431	**-$54**	+11%	-1%
w/Family Tax Credit (one child)	$492	$569	**+$77**	+16%	$549	$599	$601	**+$3**	+9%	+10%
w/Family Tax Credit (two children)	$583	$689	**+$106**	+18%	$640	$690	$721	**+$32**	+8%	+13%
Jobseeker Support Couple, with Children										
Main benefit only	$385	$536	**+$151**	+39%	$441	$541	$579	**+$38**	+23%	+31%
w/Family Tax Credit (one child)	$498	$706	**+$208**	+42%	$554	$654	$749	**+$95**	+18%	+35%
w/Family Tax Credit (two children)	$589	$826	**+$237**	+40%	$645	$745	$869	**+$124**	+15%	+35%
Supported Living Payment Couple, with Children										
Main benefit only	$474	$610	**+$136**	+29%	$538	$638	$659	**+$21**	+19%	+22%
w/Family Tax Credit (one child)	$587	$780	**+$193**	+33%	$651	$751	$829	**+$78**	+15%	+27%
w/Family Tax Credit (two children)	$678	$900	**+$222**	+33%	$742	$842	$949	**+$107**	+13%	+28%

[12] WEAG recommended increasing the Family Tax Credit alongside increases to main benefits. They recommended that the eldest child rate increase from $113 to $170pw and that the subsequent child rate increase from $91 to $120pw. For this analysis, we have assumed that the Family Tax Credit would not have increased due to indexation in this time, as per current policy settings. WEAG recommended these changes alongside other changes that would impact the incomes of families with children, including Child Support pass-on, making Best Start universal for the first three years, a broader set of changes to the Accommodation Supplement, and the introduction of a Living Alone Payment of $30pw. These other changes have not been included in the table above.

Key:

(green)	May lead to increased assistance for some
(red)	May lead to decreased assistance for some
(grey)	Depends on policy decisions made

Appendix two: Notable flow-on impacts of increasing main benefits*

** note this list is not exhaustive and actual impacts will be largely dependent on individual's circumstances*

	Assistance	Connection to benefit rate	**Impact of benefit increase** (*) indicates flow-on is not automatic and policy decisions are required)
Second tier assistance (supplementary assistance)	**Childcare Assistance**	Benefit rate is considered income (currently so are AS, TAS and Disability Allowance[13])	The culmination of benefit increases and increases to abatement thresholds may mean that some beneficiaries have a reduction in the rate of Childcare Assistance they are eligible for. *This will be highly dependent on individuals' circumstances for example number of children and income.*
	Accommodation Supplement (AS)	AS entry threshold increases as set at 25% of the equivalent benefit rate for renters and 30% of the equivalent benefit rate for homeowners[14]	Potential reduction in eligibility to AS, means some non-beneficiaries will be financially disadvantaged.
		AS abatement point increases as linked to Jobseeker Support cut-out point	People may be eligible for more AS.
	Disability Allowance (DA)	Eligibility for DA includes either meeting an income test or being in receipt of an income-tested benefit	Increases to main benefits increase benefit cut-out points which means more people may be eligible for benefit and therefore for DA.
Third tier assistance (hardship)	**Temporary Additional Support (TAS)**	Benefit is treated as income	Some TAS recipients may see a decrease in TAS.
		TAS upper limit is set at 30% of the main benefit rate	TAS upper limit increases meaning people can access more in TAS if eligible.
	Special Needs Grants (SNGs)	Benefits are not considered income for SNGs (except for the Emergency Housing SNG as noted below)	Exacerbates existing issue of equity with non-beneficiary SNG recipients, given income from work will affect eligibility for SNGs whereas income from benefits will not.
		Emergency Housing contribution is generally 25% of the client's income or 25% of the relevant Jobseeker Support rate	Increases in main benefits may increase the contribution Emergency Housing clients are required to pay.
	Advance Payment of Benefit	Level of advance available is set at 6x main benefit rate	Available advance increases.
	Recoverable Assistance Payment (RAP)	Level of RAP available is set at 6x the rate of Supported Living Payment	Available RAP increases.
Working for Families	**Minimum Family Tax Credit (MFTC)**	Intent is to ensure families with children remain better off working and receiving MFTC than working and receiving a benefit	*Decision and funding required to increase the MFTC threshold, so it continues to meet the policy intent (either full or partial alignment).
Other	**Community Services Card (CSC)**	Clients receiving a benefit or AS are automatically eligible for a CSC	Increases to main benefits increase benefit cut-out points and the abatement threshold for AS which means more people may be eligible for benefits and AS and therefore for CSC.
			Non-beneficiary AS recipients who lose entitlement with the increase to the AS entry threshold may no longer be eligible for a CSC.
	Income Related Rent	The rate of Income Related Rent is calculated on a client's assessable income and their household type	Amount of Income Related Rent clients need to pay may increase at their next review.
	Rate of ACC loss of potential earnings (LOPE)[15] compensation	Weekly compensation is provided at 80 per cent of the minimum wage or 125 per cent or the Supported Living Payment, whichever is higher	Significant benefit increases could mean an increase to the rate of LOPE, depending on relative increases to the minimum wage.

[13] The Budget 2021 bid to increase main benefits also includes a complementary change to the definition of income for Childcare Assistance to remove supplementary assistance (such as AS, TAS and DA from the definition of income).
[14] Non-beneficiary entry thresholds are based on the relevant Jobseeker Support rate
[15] Potential earners are claimants who are injured before the age of 18, or older individuals injured while in full-time study or training which began before the age of 18, who are not in full-time employment at the time of their injury.