



CPAG 2023 Policy Brief on benefit adequacy

Ensuring benefit recipient income levels support family wellbeing

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June 2023

VISION

All tamariki will grow up surrounded by loving, thriving whānau within supportive communities where there are resources, opportunities and systems to enable them to live self-determined lives and futures.

CPAG acknowledges that tamariki Māori and whānau have unique rights as tangata whenua, affirmed within He Whakaputanga and Te Tiriti o Waitangi. The significant inequities in well-being outcomes and child poverty for tamariki Māori are the result of ongoing colonisation, systemic racism and neglect. Reducing child poverty in Aotearoa requires our country to address the inequitable distribution of power and resources that prevents Māori from flourishing.

ISSUES — THE CURRENT REALITY

Children whose families receive a benefit as their main source of income (around 200,000 children),¹ are four times more likely than other children to live in poverty (material hardship).²

Poverty due to low benefit incomes affects families of all ethnicities, but due to systemic issues such as racism and ongoing colonisation it inequitably affects whānau Māori, Pacific families and families of Middle Eastern, Latin American and African (MELAA) ethnicities.³

Benefit-recipient families with children usually do not receive sufficient income and entitlements to cover typical expected costs of living (see Figure 1 below).

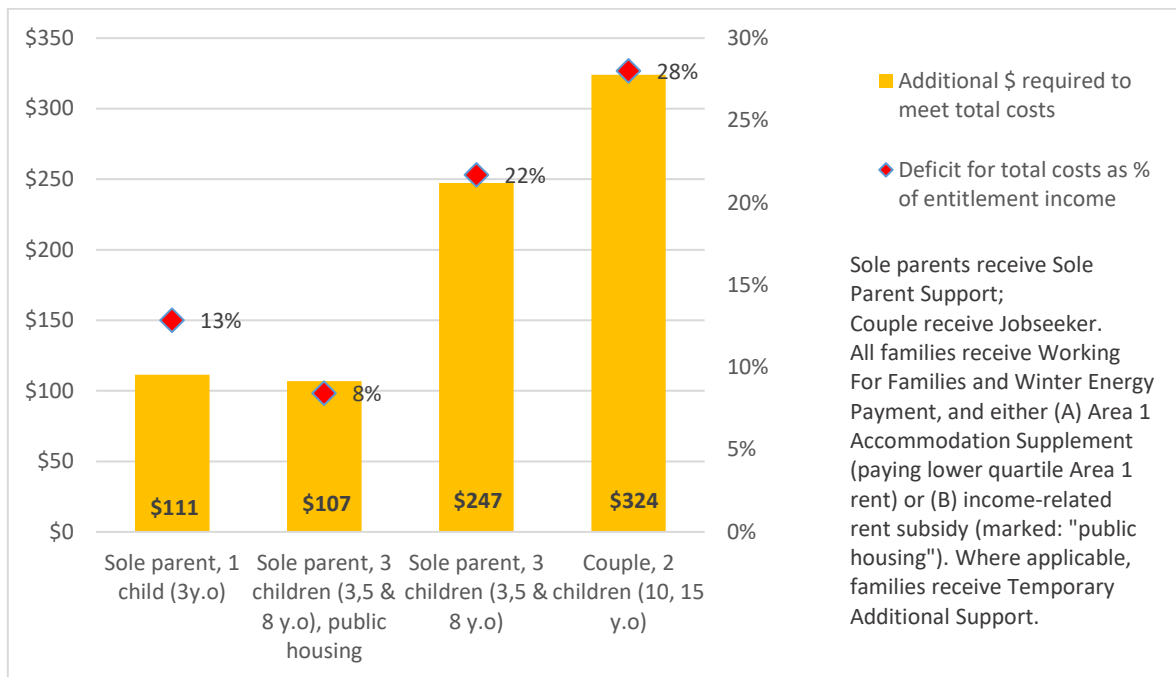
In public or social housing where rents are lower, a typical sole-parent family of three children is still receiving ~\$107 less per week than they need to cover their typical costs.

Private rentals are much more costly; four-person model families paying market rent – one adult and three children, or two adults and two children – have deficits of hundreds of

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dollars a week: they receive around a quarter less income (~22% to~28%) than they need to cover typical costs.

Figure 1: Weekly deficits (income entitlements vs typical total costs) for example families with children, receiving main benefits, April 2023



calculation: Dr Yun So for CPAG,⁴ updating Welfare Expert Advisory Group (WEAG) 2019 example families.⁵ "Total" costs include social participation, allowances and contingency costs, as per WEAG definitions.

CPAG modelled four common types of families receiving a benefit.

Three of the four example families in the figure above are not in public housing: their income entitlements are so low that the system locks the families into severe poverty, below the AHC40 poverty line (i.e. the families are receiving less than 40% of the after-housing-costs (AHC) median income equivalised for their family type).

Even though the entitlements for the example family living in public housing are higher, they are not high enough: this family is still locked below the AHC50 poverty line (ie the family is receiving less than 50% of the after-housing-costs (AHC) equivalised median income).

Income inadequacy is particularly profound for couples receiving benefits – not only for the examples above, but in general (see CPAG 2023 Policy Briefs at www.cpag.org.nz/policybriefs).

Supplementary payments

It is likely that the data and research presented in Figure 1 under-estimates costs because some rents are far greater, and disability costs (and inadequate entitlements) are not included.

Real-life indicators show that bills are increasingly tough for benefit-recipient families: new benefit advances – MSD loans for approved basic-need purchases – rose to over \$90 million in the quarter to March 2023 for the first time ever, and totalled \$345 million in the year to March 2023.⁶

These loans then further reduce the money families have to pay their bills: weekly debt repayments are not included in the costs above and for many families these repayments are high, due to the chronic inadequacy of income support over many years.

Nearly 10% of New Zealanders owe money to the Ministry of Social Development.⁷ Working for Families debt to IRD is also common and rising.⁸ On top of this, many families also carry private debt involving high costs and interest rates.⁹

Hardship assistance

Hardship assistance to benefit recipients – including non-recoverable special needs grants as well as the benefit advances discussed above – has been increasing every year and topped \$900 million in the year to March 2023 for the first time.¹⁰

Yet this assistance is another very conservative indicator of the depth of the inadequacy of benefit incomes.¹¹ These grants and advances are at the discretion of Work and Income, meaning the process does not guarantee dignity, discouraging people from applying.

Moreover, not all who ask for hardship assistance are successful, and they face a significant power imbalance if they wish to challenge that decision.¹²

Abatement rates

It is difficult for many families who have the capacity for paid work to enter into paid employment. Abatement (clawback) of benefits starts early (\$160, equivalent to seven hours minimum-wage work) and is steep (30c to 70c per dollar earned), meaning families cannot attempt paid work without losing financial security.

BARRIERS REQUIRING POLICY ACTIONS

The system is complex and needs to be simplified

The (inadequate) incomes of benefit-recipient families are made up of “bits and pieces” from multiple income assistance entitlements – primarily main benefits, Working for Families, Winter Energy Payment, Accommodation Supplement (or income-related rent), but also Temporary Additional Support, various forms of (discretionary) hardship assistance, and disability support.

The complexities mean it can be difficult for families to receive all their necessary entitlements and they can “fall through the cracks”, leading to further impoverishment. In addition, supplementary subsidies such as the Accommodation Supplement and Temporary Additional Support create complex poverty traps and incentive issues (see CPAG 2023 Policy Briefs at www.cpag.org.nz/policybriefs).

Income support for benefit recipients is too low

As shown above, even if benefit-recipient families receive all their multiple income support entitlements, their incomes remain woefully inadequate, despite small ‘tweaks’ in recent years.

Between the May 2021 announcement of benefit increases and the implementation nearly a year later in April 2022, rapid inflation had eaten away much of the supposed gain, particularly for sole parent families.¹³ The increases at 1 April 2023 simply covered cost of living increases. By the end of March 2024, the gaps will be much greater than those shown

in Figure 1, given there are no further policy changes or inflation adjustments expected before 1 April 2024.¹⁴

Main benefits are among the income entitlements which are inadequate

Multiple income assistance entitlements mean multiple *inadequate* income assistance entitlements (see CPAG 2023 Policy Briefs at www.cpag.org.nz/policybriefs). For example, the Working for Families package currently discriminates against children in benefit-recipient families and is particularly inadequate for the 200,000+ children in this category: CPAG recommends removing this discrimination resulting in an income increase of ~\$72 per week per family of 1 to 3 children plus \$15 for every following child.

But even with such a Working for Families increase, benefit-recipient families would still have a weekly budget deficit. Figure 1 above shows this is the case even for the families receiving income-related rent subsidies, i.e. the higher of the two main housing subsidies. Whether a family is paying market rent or income-related rent, they currently need more income if they are receiving a benefit, and this would still be the case if the Working for Families discrimination were to be removed.

The deep income inadequacy for all benefit-recipient families points to the inadequacy of main benefits themselves.

Costs need to come down

Living costs generally, but particularly in such key areas as housing, food and transport,ⁱⁱ need to be reduced as part of the overall package of support for children and whānau. (See CPAG Policy Briefs at www.cpag.org.nz/policybriefs).

The benefit abatement threshold is too low

The benefit abatement threshold in 1986 was equivalent to 15 hours minimum-wage work;¹⁵ currently it is less than half that, at 7 hours (and its equivalence automatically decreases every time the minimum wage goes up). This does not offer benefit-recipient parents and caregivers the opportunity to increase their hours of paid work with security and confidence.

Ongoing research is required to indicate changes in “minimum income standards”

The Welfare Expert Advisory Group recommended that the Ministry of Social Development “within 2 years, complete work, including commissioning independent research and focus groups, to establish a minimum income standard for New Zealand (with 5-year reviews).”¹⁶ This has not been implemented. In addition, it needs to include investigations – including Kaupapa Māori research and Pacific talanoa – of different costs for different types of families in different geographical regions with different disability status.

Given rapidly accelerating costs, 2-year reviews would be more appropriate than 5-year reviews, at least initially. There is also a gap in current knowledge regarding the depth of poverty in New Zealand: while the government has investigated how wealthy many of the country’s most high-wealth individuals are,¹⁷ we still know very little about the financial

ⁱⁱ CPAG welcomes the [Budget 2023 announcement](#) of free public transport for children under 13, and half price fares for 13- to 24-year-olds.

position of the worst-off families, their debts, deficits and strategies for coping with inadequate income.

RECOMMENDED POLICY ACTIONS

CPAG recommends that main benefits increase to a level where they cover usual housing costs for people living in the least expensive housing regions, so that the Accommodation Supplement is largely used only for those in high-cost housing areas (see CPAG 2023 Policy Briefs at www.cpag.org.nz/policybriefs).

Couples need substantially more income to cover total costs, and raising benefits – rather than raising supplementary assistance – is the most effective way of ensuring all couples receiving benefits get the income they need.

Recommendation 1

- That income support entitlements for benefit recipients (being the total of main benefits plus Working for Families and Accommodation Supplement / Income-related Rent Subsidies) be lifted and maintained at levels adequate to cover total likely typical costs (i.e. core, participation, allowances and contingency expenditure)¹⁸ for all benefit recipients. This includes (but is not limited to) raising the couples rate for Jobseeker and Supported Living Payments to double the singles rate.¹⁹

Recommendation 1 is in line with the Welfare Expert Advisory Group principle that income support must be “adequate for meaningful participation in the community” and that this level is “maintained over time”.²⁰

Recommendation 2

- That the increase of income support entitlements (to cover total likely typical costs) is primarily implemented via increases to main benefits and Working for Families, rather than in supplementary assistance such as the Accommodation Supplement.²¹

Recommendation 3

- That all debt to MSD be wiped, given (i) it is the result of inadequate income entitlements, and (ii) ongoing repayments deplete family resources.

Recommendation 4

- That the main benefit abatement threshold be pegged to the equivalent of 15 hours of the minimum wage.

Recommendation 5

- That robust independent research be resourced and commissioned on a regular (2-year) basis – including Kaupapa Māori research and Pacific research – into total likely expenditures around the country for the recipients of different main benefits, to inform the understanding of minimum income standards and adequate benefit levels, and to inform changes when necessary.

Recommendation 6

- That the government conduct an inquiry into the financial position, challenges and strategies of the country's poorest families in order to assist identification of the resources and policies required to ensure these and all families have full enjoyment of all their rights.

Recommendation 7

- That services, such as public transport, primary healthcare (dental care, doctors' visits and prescription charges) and early childhood care and education (ECCE) are made free of charge to all, in order to reduce costs for many benefit recipient families. (See CPAG 2023 Policy Briefs at www.cpag.org.nz/policybriefs).

IMPACTS AND INDICATORS

If implemented, these actions would be steps towards moving Aotearoa to be a nation where all children and families flourish free from poverty.

Significantly more children and their families will live free from the toxic stress of poverty.

They will have better life outcomes, better health, more choices and be better able to contribute to society. The research is clear that giving families enough money is the most effective way to create positive outcomes.²²

The Government would be much more likely to meet its child poverty reduction targets and meet them on schedule, including reducing material hardship. Child poverty would also measurably reduce on a range of other indicators.

Ensuring adequacy of benefit-recipient incomes is relevant to

- the Crown meeting its obligations under te Tiriti o Waitangi. The Waitangi Tribunal (2019) recommends the Crown commit itself to achieving equitable health outcomes for Māori²³; and income is an important social determinant of health
- New Zealand meeting its targets for UN Sustainable Development Goal 1: "End Poverty in All Its Forms Everywhere"²⁴
- New Zealand meeting its obligations under the UN Convention on the Rights of the Child.²⁵

And it is an essential step towards the national vision "that New Zealand be the best place in the world for children and young people".²⁶

References

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² Perry, B. (2022). Child Poverty in New Zealand: Overview and Selected Findings. Wellington: MSD, p.12, Fig. 4.

³ StatsNZ (2023). Child Poverty Statistics: Year Ended June 2022.

⁴ CPAG (2023). [Modelling income adequacy for those on benefits](#). CPAG, NZ.

⁵ WEAG (2019). [Example Families and Budgets: Investigating the Adequacy of Incomes](#). Welfare Expert Advisory Group.

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- ⁷ Fairer Futures (2023). [Lifting the Weight A Fairer Future Report on Experiences of Debt to the Ministry of Social Development](#).
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- ¹³ Edwards, J. (2022). [Upcoming benefit increases 'too little, too late' amid high inflation](#), RNZ, 29 Mar 2022.
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- ¹⁵ Lifewise (2018). [Stuck in the 80s](#).
- ¹⁶ WEAG (2019). *Whakamana Tangata: Restoring Dignity to Social Security in New Zealand*. Welfare Expert Advisory Group. [Recommendation 25](#).
- ¹⁷ Inland Revenue (2023). [The High Wealth Individuals Research Project](#).
- ¹⁸ For definitions of expenditure types, see WEAG (2019), [Example Families and Budgets: Investigating the Adequacy of Incomes](#), Welfare Expert Advisory Group.
- ¹⁹ As further outlined in the CPAG 2023 Policy Brief on relationship rules.
- ²⁰ WEAG, recommendation 19. Also see WEAG [recommendation 26](#): “Increase, as soon as possible, overall income support to levels adequate for meaningful participation in the community, as defined by the minimum income standard (which reflects different family circumstances, for example, children, disabilities and regional area) and maintain this level of support through appropriate indexation.”
- ²¹ See CPAG 2023 Policy Brief on housing subsidies.
- ²² Berentson-Shaw, J. & G. Morgan (2017). *Pennies from Heaven: Why cash works best to ensure all children thrive*. David Bateman.
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