

Office of the Minister for Social Development and Employment

Cabinet Social Wellbeing Committee

## **Extension of the Increased Income Limits for Hardship Assistance**

### **Proposal**

- 1 This paper provides a report back to Cabinet on the uptake of hardship assistance since the income limits were temporarily increased on 1 November 2021. I am also seeking Cabinet agreement to a further temporary extension of the increased income limits for hardship assistance from 1 March through to 30 June 2022.

### **Relation to government priorities**

- 2 This proposal supports the Government's objective to keep New Zealanders safe from COVID-19 and targets policy responses to the immediate impacts of resurgence-related restrictions.

### **Executive Summary**

- 3 On 6 October 2021, the Cabinet Business Committee agreed to temporarily increase income limits applying to hardship assistance for four months from 1 November 2021 to 28 February 2022 [CBC-21-MIN-0118 refers].
- 4 It was also agreed that I would provide a report back to Cabinet before the end of 2021 on the uptake of hardship assistance from 1 November 2021 to 28 February 2022.
- 5 Only five weeks of data is presently available on the uptake of hardship assistance at the new income limits since 1 November 2021, so it is too early to fully assess the full impact of the policy change. Data up to 5 December 2021 shows that there have been approximately 4,930 hardship grants approved since 1 November 2021 to people with income recorded at a level that would previously have made them ineligible. This is considered to be an underestimation of the impact of the change due to data limitations.
- 6 In order to provide sustained support to help a wider cohort of low-income families meet their immediate and essential costs as they respond to and recover from the current COVID-19 resurgence, I propose to extend the increased income limits for hardship assistance for a further four months through to 30 June 2022.
- 7 As New Zealand moves to the COVID-19 Protection Framework (CPF), more people will be required to self-isolate in the community. Extending the increased income limits for hardship assistance is complimentary to the welfare system approach to the CPF and is therefore consistent with the aim of the CPF to keep people safe while in self-isolation.
- 8 I seek Cabinet approval for funding of \$8.961 million for this proposal, of which the operating cost of \$4.292 is to be charged against the COVID-19

Response and Recovery Fund. The recoverable assistance cost of \$4.669 million is fiscally neutral due to the offsetting impact of higher client debt with higher capital receipts.

## Background

- 9 The income support system is available for people needing financial assistance. This includes:
  - 9.1 main benefits for those who experience job loss or a reduction of income;
  - 9.2 supplementary assistance (such as the Accommodation Supplement and Working for Families tax credits) for beneficiaries and eligible low-income working families to help with on going costs (such as rent); and
  - 9.3 hardship assistance for beneficiaries and eligible low-income working families to meet one-off immediate and essential costs (such as food and outstanding power bills).
- 10 Hardship assistance is tightly targeted with income and cash asset limits to meet the cost of immediate and/or essential needs for people with no other resources available to them. It consists of the following supports:
  - Special Needs Grants (SNGs), which provide one-off recoverable or non-recoverable financial assistance to meet people's immediate and essential needs. A person does not have to be in receipt of a main benefit to qualify for an SNG.
  - Recoverable Assistance Payments (RAPs), which provide interest free, recoverable assistance to non-beneficiaries to meet immediate and essential needs. A repayment arrangement is negotiated with clients before the RAP is granted.
  - Advance Payments of Benefit (Advances), for up to the value of six weeks of a client's weekly benefit, which are available to all clients who need assistance to meet a particular immediate need for an essential item or service. If a client is receiving an income-tested benefit, then they would generally meet the income test for an Advance Payment of Benefit.
- 11 Historically, income limits applying to hardship assistance are indexed to the Consumer Price Index. Due to wage growth increasing by more than inflation, income limits have eroded in value relative to wages. Further, the COVID-19 resurgence and prolonged Alert Level restrictions in many parts of the country (now replaced by the COVID-19 Protection Framework (CPF) from 3 December 2021), is placing financial pressure on some households who may be experiencing a reduction in their income and are struggling to meet essential costs.

- 12 As such, on 6 October 2021, the Cabinet Business Committee (having been authorised by Cabinet to have Power to Act), agreed to temporarily increase income limits applying to hardship assistance for four months from 1 November 2021 to 28 February 2022 [CBC-21-MIN-0118 refers]. Appendix One contains details of the new income limits that have applied since 1 November 2021.
- 13 It was also agreed that I would report back to Cabinet before the end of the year on the uptake of hardship assistance since 1 November 2021.

**There has only been a limited period of time to gather data on the uptake of Hardship Assistance following the increases to income limits**

- 14 At the time of reporting, there is only five weeks of data available on the uptake of hardship assistance since 1 November 2021. This is largely a new cohort (people whose income prevents them from qualifying for a main benefit) who do not regularly interact with the benefit system, so uptake may be slower.

*The change has been supported by a comprehensive communications campaign, but it will take time to reach people*

- 15 To support the decision to increase the income limits applying to hardship assistance, extensive communications have been issued since 1 November 2021 to publicise the change. The Ministry of Social Development (MSD) has sent emails to all non-beneficiary groups such as students, clients receiving New Zealand Superannuation, non-beneficiary clients receiving Accommodation Supplement for example, as well a social media campaign (including paid radio, Facebook, Instagram, and Google ads campaign). This campaign has had a total reach of 275,000 people.
- 16 However, as MSD does not hold information on low-income households who are not in the benefit system, it is not possible to directly reach all those who might now qualify for hardship assistance. This, coupled with it being promoted as a temporary change for four months (which might affect the way that people respond to the change), means that it is difficult to build a clear picture of uptake at this time.

*There has been some uptake of hardship assistance from the target group*

- 17 Data up to 5 December 2021 shows that there have been approximately 4,930 grants of hardship since 1 November 2021 to people with income recorded at a level that would previously have made them ineligible. This is considered to be an underestimation of the impact of the change due to the large number of records that don't have income recorded.<sup>1</sup>
- 18 As another way to isolate the target cohort affected by the policy change, MSD has looked at grants and declines of hardship assistance to people that

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<sup>1</sup> System limitations mean that recording of income information is not a mandatory requirement for staff, and although it is used to assess eligibility it is not consistently recorded.

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are not current clients (no benefit) or not receiving a main benefit but are receiving supplementary assistance such as Accommodation Supplement (non-beneficiary clients), as this group is generally expected to have some income.

- 19 Table 1 shows as a percentage change the number of declines in relation to grants of hardship assistance. There has been a noticeable reduction in the number of declines for the month of November 2021 following the policy change which indicates that support is being made available to a wider cohort.

*TABLE 1: Percentage change in monthly grants and declines for hardship assistance in target cohort (non-beneficiary and no benefit) from 1 May 2021*

Month	Number of Grants	Number of Declines	% of Declines
May 2021	16,374	1,806	9.9%
June 2021	14,127	1,791	11.3%
July 2021	14,577	2,022	12.2%
August 2021	16,485	2,502	13.2%
September 2021	13,986	2,082	13.0%
October 2021	11,760	1,554	11.7%
November 2021	17,286	1,116	6.1%

- 20 MSD have also tracked those people who were declined hardship assistance on the basis of “excess income” in the period leading up to the policy change (from 1 May 2021), to see how many of that group have since been granted hardship assistance since 1 November 2021. Of the 8,943 declines for “excess income”, 2,325 have subsequently been granted hardship assistance since 1 November 2021. This figure is expected to reflect some of the target group given that previously they had income that caused them not to qualify for hardship assistance.

### **A decision is required on whether to continue with the increased income limits for hardship assistance or revert to the previous limits from 1 March 2022**

- 21 To revert back to the pre-1 November 2021 income limits from 1 March 2022 requires MSD to make IT changes. As such, a decision is required now as these changes would need to commence on 14 January 2022 at the latest.
- 22 I seek agreement to extend the current increased income limits from 1 March 2022 to 30 June 2022. A further extension will ensure that these low-income working families are able to continue to access hardship assistance to meet their immediate and essential needs, as they respond to and recover from the current COVID-19 resurgence.
- 23 The extension of the increased income limits for hardship assistance would include the same features of the 1 November 2021 changes, which means that Emergency Housing Special Needs Grants are excluded.

- 24 I propose that the income limits (set on 1 November 2021) be adjusted on 1 April 2022 as part of the Annual General Adjustment in line with growth in the Consumer Price index over the previous year.

*The move to more people isolating in the community is expected to increase demand for hardship assistance*

- 25 Extending the increased income limits for hardship assistance will provide further support as New Zealand moves to the CPF and more people are required to self-isolate in the community. On 22 November 2021, Cabinet agreed to a revised approach to welfare and community-based supports, including food and other essential wellbeing provisions to support the transition to the CPF for those that need support [CAB-21-MIN-0493 refers]. This model is designed to support New Zealand's health response to minimise the spread of COVID-19 and protect New Zealanders while they and their whānau self-isolate.
- 26 Extending the increased income limits for hardship assistance is complimentary to the welfare system approach to the CPF. An expanded Community Connection Service (CCS)<sup>2</sup> is a key component of the welfare system approach to the CPF. Community connectors have a direct line into MSD to support people to access existing and eligible MSD products and services. This service is expected to continue to link people to hardship assistance, including SNGs for food.
- 27 Anecdotal evidence suggests that for the first few days under the CPF, hardship assistance has been functioning well and is assisting COVID-positive people to meet their immediate and essential needs while isolating at home.

s 9(2)(f)(iv)

- 28 The income limits applying to hardship assistance are indexed to increases in the Consumer Price Index and have not been increased outside of this annual adjustment. Due to wage growth increasing by more than inflation, income limits have eroded in value relative to wages. This has reduced the cohort of people eligible for hardship assistance over time. Even without the impact of COVID-19, low-income households already find it much harder to afford basic and essential costs, particularly with the cost of living having increased significantly compared to when the income limits were set.

- 29 s 9(2)(f)(iv)

<sup>2</sup> The Community Connection Service was established in July 2020 and is funded by MSD [CAB-20-MIN-0155.30 refers].



s 9(2)(f)(iv)

## Financial and Implementation Implications

- 30 Increasing the hardship assistance income limits for four months from 1 March 2022 to 30 June 2022 is estimated to cost \$8.881 million<sup>3</sup>. This is made up of \$4.669 million of recoverable assistance and \$4.212 million of non-recoverable assistance.

### *Departmental impacts*

- 31 Based on the early data MSD is seeing on uptake since 1 November 2021, MSD considers that new operational demand can be absorbed within current staffing levels. The COVID-19 Response and Recovery Funding (*Additional Ministry of Social Development Staff to Respond to New Zealanders' Income, Housing and Employment Needs*) received for temporary staff will for the most part be able to offset this demand.
- 32 If the number of additional grants since the change was implemented to the period up to 30 June 2022, was to exceed 50,000,<sup>4</sup> funding for additional FTE resource may need to be sought.
- 33 To support a further temporary extension of the increased income limits for hardship assistance until 30 June 2022, \$80,000 is sought to continue promoting the policy change to the target cohort in line with the previous communications campaign.

### *Total funding sought*

- 34 Total funding of \$8.961 million for this proposal is sought. The operating costs of \$4.292 million would be charged against the COVID-19 Response and Recovery Fund. The recoverable assistance cost is fiscally neutral due to the offsetting impact of higher client debt with higher capital receipts.

## Legislative Implications

- 35 If Cabinet agrees to further extend the increased income limits for hardship assistance until 30 June 2022 then there will be no legislative implications.
- 36 If Cabinet decides not to continue with these income limits, amendments to following Welfare Programmes and Ministerial Direction will be required under section 7 and 101 of the Social Security Act 2018:
- 36.1 Special Needs Grants Programme
- 36.2 Recoverable Assistance Programme

<sup>3</sup> Excluding costs for an extended communications campaign.

<sup>4</sup> This may represent multiple grants to one person.

36.3 Ministerial Direction on the Advance Payments of Instalments of Benefit.

**Impact Analysis**

**Regulatory Impact Statement**

37 Treasury's Regulatory Impact Analysis team has determined that the temporary extension of the increased income limits for hardship assistance is exempt from the requirement to provide a Regulatory Impact Statement. The exemption is on the grounds that the proposal is intended to alleviate the short-term impacts of the Covid-19 emergency (and the response to the emergency), and it is required urgently to be effective (making a complete, robust and timely Regulatory Impact Statement unfeasible).

**Population Implications**

38 Data from 2020 shows that Māori made up over 50 percent of hardship assistance recipients, and Pacific peoples around 11 percent. In addition, we know Māori, Pacific people, and women are overrepresented in low-income earners, and evidence indicates these groups are likely to be among the hardest hit by COVID-19 economic impacts.

39 Māori and Pacific women in particular are over-represented in low-wage employment, and casual, temporary, and other forms of insecure employment. COVID-19 has exacerbated insecurity for these groups, who are also more likely to be in industries impacted by public health restrictions.

40 Extending the increased income limits for hardship assistance will enable a greater number of Māori, Pacific people, and women who may be struggling due to the economic impacts of the recent resurgence to access hardship assistance.

**Human Rights**

41 The proposed changes expand existing eligibility for supports that are already provided. This means that there are no new human rights implications introduced by increasing the hardship income limits.

**Consultation**

42 The following agencies were consulted in the development of this paper: the Treasury, the Child Poverty Unit, Inland Revenue, and the Ministry of Education. The Department of the Prime Minister and Cabinet Policy Advice Group has been informed.

**Communications**

43 Pending Cabinet approval, a communications approach will be developed with relevant Ministers' offices.

**Proactive Release**

- 44 I intend to proactively release this Cabinet paper, with redactions as appropriate under the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet.

**Recommendations**

The Minister for Social Development and Employment recommends that the Committee:

- 1 **Note** that on 6 October 2021, the Cabinet Business Committee (having been authorised by Cabinet to have Power to Act), agreed to temporarily increased income limits applying to hardship assistance for four months from 1 November 2021 to 28 February 2022 [CBC-21-MIN-0118 refers]
- 2 **Note** that Cabinet also agreed that the Minister for Social Development and Employment would provide a report back to Cabinet before the end of the year on the uptake of hardship assistance since 1 November 2021
- 3 **Note** that data up to 5 December 2021 shows that there were approximately 4,930 grants of hardship since 1 November 2021 to people with income recorded at a level that would previously have made them ineligible
- 4 **Agree** to extend the increased income limits applying to hardship assistance (that were implemented on 1 November 2021) for a further four months from 1 March 2022 to 30 June 2022
- 5 **Agree** that the if the temporary extension is agreed to, the 1 November 2020 income limits be adjusted on 1 April 2022 as part of the Annual General Adjustment in line with the growth in the Consumers Price Index
- 6 **Agree** that the policy decision in recommendation 4 does not apply to Emergency Housing Special Needs Grants
- 7 **s 9(2)(f)(iv)** [Redacted]

*Financial implications*

- 8 **Agree** to provide for the implementation costs of \$80,000 to continue promoting the policy change to the target cohort



**BUDGET SENSITIVE**

9 **Note** the following changes to capital as a result of the decision in Recommendation 4, which impacts on the level of capital receipts received, with a corresponding impact on net core Crown debt:

	<b>\$m - increase/(decrease)</b>				
<b>Vote Social Development</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
<b>Minister for Social Development and Employment</b>					
Capital receipts:					
Benefit Recoveries – current debt	3.268	1.401	-	-	-
<b>Total Capital</b>	<b>(3.268)</b>	<b>(1.401)</b>	-	-	-

10 **Agree** to increase spending to provide for costs associated with the policy decisions in recommendation 4 and 8, with the following impacts on the operating and net core Crown debt:

	<b>\$m - increase/(decrease)</b>				
<b>Vote Social Development</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>
Operating Balance and Net Core Crown Debt Impact	4.292	-	-	-	-
Operating Balance Impact Only	-	-	-	-	-
Net Core Crown Debt Impact Only	1.401	(1.401)	-	-	-
No Impact (Tax on Benefits)	-	-	-	-	-
<b>Total</b>	<b>5.693</b>	<b>(1.401)</b>	-	-	-

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- 11 **Approve** the following changes to appropriations to give effect to the decision in recommendation 10

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Benefits or Related Expenses:</b>					
Hardship Assistance	4.212	-	-	-	-
<b>Non-Departmental Capital Expenditure</b>					
Recoverable Assistance	4.669	-	-	-	-
<b>Multi-Category Expenses and Capital Expenditure</b>					
Improved Employment and Social Outcomes Support MCA					
<b>Departmental Output Expenses:</b>					
Administering Income Support (funded by revenue Crown)	0.080	-	-	-	-
<b>Total Operating</b>	<b>4.292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>4.669</b>				

- 12 **Agree** that the changes to appropriations for 2021/22 in recommendation 11 above, be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply
- 13 **Agree** that the operating balance and net core Crown debt impact in recommendation 10 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Social Development and Employment