

In Confidence

Office of the Minister for Social Development and Employment

Cabinet Legislation Committee

Government response to the Petition of Brian Webb: Align Weekly Earnings to Eight Hours of the Minimum Wage Before Reducing Benefits

- 1 This paper seeks approval of the proposed Government response to the petition of Brian Webb, entitled “Align Weekly Earnings to Eight Hours of the Minimum Wage Before Reducing Benefits” (the Petition).

The Petition: Align Weekly Earnings to Eight Hours of the Minimum Wage Before Reducing Benefits

- 2 The Petition was presented to the House on 11 March 2024.
- 3 The Petition requests that the House of Representatives amend legislation to enable those in receipt of a benefit to earn an amount equivalent to eight hours at the minimum wage a week, or over a 52-week period, whichever is highest, before any deductions to their benefit are made. It also requests that benefit deduction rates are reduced to between 25 to 65 cents for every dollar earned over this new threshold.
- 4 The Petition was signed by 40 people.
- 5 On 26 March the Petition was referred to the Minister for Social Development and Employment for response.

Proposed Government Response

- 6 The proposed Government response acknowledges that abatement thresholds over time correspond to a lower number of hours of earnings if they are not indexed to some form of wage growth in the labour market or updated regularly.
- 7 The response details that the abatement thresholds are designed to achieve different work incentives and are dependent on a person’s circumstances and the type of benefit they are receiving. The response states that there is no planned work on this currently underway as the Government must balance large policy changes against income adequacy and fiscal costs.
- 8 To evidence the significant fiscal costs associated with changes such as this, it references the costs associated with the 2021 increase to benefit abatement thresholds.
- 9 Regarding abatement rates, the response details that while the abatement thresholds have been adjusted over the years, the amount that is abated for each dollar of income above each applicable threshold has remained consistent over time.

- 10 The response outlines that the Coalition Government is focused on reducing benefit dependency by getting people into work and that we have begun a reset of the welfare system to support this.

Timing of the government response

- 11 The Government response must be presented to the House by 19 June 2024.

Consultation

- 12 This Cabinet paper and the proposed Government response has been prepared by the Ministry of Social Development.
- 13 No other agencies were involved in the drafting of this paper or the Government response.

Financial implications

- 14 There are no financial implications associated with the proposed response.

Publicity

- 15 The Minister for Social Development and Employment will present the Government response to the Petition of Brian Webb to the House of Representatives and will provide a response directly to the Petitioner. No further publicity is required.

Proactive Release

- 16 This paper will be proactively released in accordance with Cabinet guidelines. Any redactions made will be consistent with the Official Information Act 1982.

Recommendations

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

- 1 note that on 11 March 2024 the Petition of Brian Webb was presented to the House entitled “Align Weekly Earnings to Eight Hours of the Minimum Wage Before Reducing Benefits”;
- 2 note that on 26 March 2024 the Petitions Committee referred the Petition of Brian Webb to the Minister for Social Development and Employment for response;
- 3 note that the proposed Government response acknowledges that abatement thresholds over time correspond to a lower number of hours of earnings if they are not indexed to a form of wage growth or are not updated regularly;
- 4 note that the proposed Government response states that there is no planned work on this currently underway as the Government must balance large policy changes against income adequacy and fiscal costs, and because changes were made to abatement thresholds in 2020, and in 2021;

- 5 approve the Government response, attached to this submission, entitled *Government Response to Petition of Brian Webb, Align Weekly Earnings to Eight Hours of the Minimum Wage Before Reducing Benefits*;
- 6 note that the Government response must be presented to the House by 19 June 2024;
- 7 invite the Minister of Social Development and Employment to present the Government Response to the House in accordance with Standing Order 252;
- 8 invite the Minister of Social Development and Employment to write to the petitioner enclosing a copy of the government response to the petition, after the response has been presented to the House.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment