

Submission: Social Security (Jobseeker Support and Accommodation Supplement) Amendment Bill

Comments

This bill implements two initiatives to deliver savings to Vote Social Development as a result of reduced expenditure on benefits.

- Tightening eligibility criteria for jobseeker support and the equivalent emergency benefit for young people aged 18 and 19, and in particular circumstances those aged 16 and 17.
- Changing the entry threshold for some homeowners who have higher weekly qualifying accommodation costs relative to their income and assets.

We disagree with both of these initiatives, believing them to be short-sighted and motivated by short-term fiscal policy over long-term economic outcomes. We agree that Government should be taking action to reduce benefit dependency for young people and support them into the job market, but this Bill as drafted will not achieve this objective.

Austerity in times of economic stress might provide immediate debt relief but it comes at a cost both in the present and for future generations. Economists remain unconvinced of the long-term economic effectiveness of cutting government baselines. Pulling back from social outcomes to focus on “core public services” and reduce spending risks false economies, such as underutilisation, health crises and so forth, all of which are costly. These choices sacrifice long-term positive outcomes for the sake of short-term savings.

Tightening eligibility criteria for jobseeker support

These policy changes were developed at pace as a response to a need to deliver savings through Budget 2025. As noted in MSD’s own RIS, the benefits for young people will be significantly outweighed by the costs.

There is a serious risk that many families will not be able to financially support their child past their school years. New Zealand is already experiencing high, and unmovable, child poverty rates due to the financial pressures on households with children. We recognise the need to target funding towards those who most need it,

but as the cost of living has risen, New Zealand has seen more of the “squeezed middle” –lower-to-middle income households – who are struggling to make ends meet. These households have historically fared well but are now facing rising energy costs, groceries and food prices increasing, a housing unaffordability crisis, and stagnant incomes are not sufficient to meet these. This has been reported extensively by the media, philanthropic foundations, and NGOs like us. The Helen Clark Foundation’s recent report on social cohesion found that 1 in 4 New Zealand households sometimes go without meals because they cannot afford food, and our clients report similar activity. Young people whose parents technically earn over the threshold, but who will not or cannot support them, will be left behind. This will particularly be the case for communities that are already marginalised, such as LGBTQIA+ youth and disabled peoples.

Making it harder for young people to access the Jobseeker Benefit will not incentivise them to enter the job market, it will push them further into poverty. The entry-level job market is shrinking due to the rise in AI and the global economic context, and many young people are applying for hundreds of jobs without success. Government policy should focus on investing in the labour market, increasing business activity and opportunities, rather than penalising young people. We do note that MSD’s original preferred option was to provide a range of targeted employment and training programmes, which predicted savings in the long term through lower future benefit levels. Investing in our youth gives them far more opportunities for their future. Young people who are denied benefits and have no money to buy a car cannot travel to a job, they cannot afford appropriate workwear for a job interview, they cannot pay for additional training that could support them into work. Poverty begets poverty.

As a result of this, it is likely that there will be an increase in demand for assistance provided by NGOs like ourselves, or food banks. Non-government social service providers fill a much-needed gap in responses to poverty. Yet recent cuts to funding across the non-government sector have put increased pressure on the services that remain (for example, 1/3 of budgeting services across New Zealand were informed they would no longer receive funding in 2024, despite high demand). Expecting the charitable and social sector to be the ambulance at the bottom of the cliff will not succeed when there are no contracts to fund them.

Changing the entry threshold for the accommodation supplement

As noted above, household expenses are rapidly increasing and putting pressure on weekly budgets. Housing makes up a significant portion of this pressure for many households. The international benchmark for housing (un)affordability is 30% of household income on housing costs. House price trends have improved in recent years, but those who bought homes in record highs, or are locked into higher interest

rates, will continue to feel financial pressure. Rates across the country are set to increase 5-10% in the coming year. Construction and maintenance costs remain high, meaning households may delay essential maintenance. This is especially damaging where there is a risk to health, because of dampness or cold. Simply stating that the Accommodation Supplement helps homeowners accumulate a personal asset ignores the current state of the economy and declining housing market.

We do support the exclusion of clients receiving New Zealand superannuation, veteran's pension, supported living payment, or emergency benefit (that is the equivalent to supported living payment), or their partners. Our own research into single-older women's housing needs has shown that even older people who own their home do not experience affordable, warm, housing. Poor housing quality (especially older homes that were purchased decades ago) combined with rising rates and insurance costs put significant pressure on superannuant homeowners who lack the ability to generate additional income.

About Good Shepherd New Zealand

Good Shepherd New Zealand (Good Shepherd NZ) is a charitable non-governmental organisation focused on two of the biggest issues facing women and girls in New Zealand – poverty and family violence – and challenges that stem from these. We want women, girls and their families to be safe, strong, well and connected. We make a positive impact for women and families faced with two specific challenges:

- Going without essentials or taking on high-cost unmanageable debt
- Economic abuse and harm from family violence.

Good Shepherd NZ provides alternative lending options at a low cost – no-interest loans up to \$15k for essential items, services and debt consolidation. We also work with and for people who have experienced family violence economic abuse to remove unjust debt (debt they were forced to take on or that was taken out without their knowledge) and help people access government entitlements. Our services help to reduce harm while providing people with new opportunities.