

## Supporting families towards better futures

Labour will support families to get ahead. We will provide more support for families now so they can achieve their future goals and aspirations by:

- **Reinstating the Training Incentive Allowance for higher skilled courses which will provide up to \$4,515 per year to assist with extra costs**
- **Increasing the amount of money people who are working part-time can earn while on a benefit**
- **Continuing the welfare overhaul and implementing the recommendations of the Welfare Expert Advisory Group**
- **Revamping and expanding the Flexi-wage programme to support up to 40,000 more New Zealanders into work or to set up a business**

Labour is committed to improving the wellbeing of New Zealanders. We want everyone to have enough to meet their needs while also supporting them to achieve their future goals and aspirations. For too long, many families in New Zealand have faced financial barriers that can make life tough in the present and hold them back from a better future.

That's why in Government, Labour started the overhaul of the welfare system. We are working toward a social safety net in New Zealand that is fair, that provides the right support for people in need, and that enables them to participate in their communities.

As part of this, the Welfare Expert Advisory Group provided 42 recommendations for improving the welfare system, and these will continue to guide Labour if re-elected. We have already made changes to start to address around 22 of the recommendations, including:

- Increasing main benefits by \$25 per week and indexing main benefit increases to average wages
- Removing punitive sanctions that impact children
- Aligning the abatement threshold with minimum wage increases
- Increasing the number of frontline staff at MSD dedicated to employment support
- Investing more in employment initiatives

On top of this, our Families Package will see 384,000 families with children on average \$75 per week better off and thousands of children lifted out of poverty.

### **Investing in our people is part of Labour's economic plan**

As we recover and rebuild in the wake of COVID-19, Labour is committed to ensuring no one is left behind. That's why we will support low income families and individuals now and into the future.

COVID-19 has already started to impact incomes and job opportunities for New Zealanders. We will invest in our people so they can access training, keep more of what they earn and be supported in times of hardship. Investing in our people is part of Labour's five point economic plan, and these investments will provide support for low income families so they can build better futures.

## Training Incentive Allowance

The Training Incentive Allowance (TIA) is a payment to help cover the additional costs of studying while on benefit. TIA currently covers fees, course costs, caring costs for children

and older people, and course equipment and materials for people who are taking course that are level three below on the National Qualifications Framework.

## **Expanding the Training Incentive Allowance**

Labour will expand the eligibility of TIA so that sole parents can access this extra support for courses at level four and above on the National Qualifications Framework. It will also be available for disabled people and carers who are receiving a main benefit.

TIA is payable up to a weekly maximum of \$112.89 and a total maximum of \$4,515.60 a year and can be used alongside with Student Loans and childcare assistance.

Eligibility for level four courses and above was removed by the previous National Government in Budget 2009.

By expanding the TIA, Labour will help remove barriers to studying and ensure sole parents, disabled people and carers can get the financial support to upskill and work towards better long term outcomes.

Once fully implemented this could benefit over 15,000 New Zealanders in need with the cost of studying each year.

## **Supporting sole parents and disabled people to upskill and train and creating a highly skilled workforce**

We know COVID-19 is going to impact employment significantly, and that's why it's the right time to focus even more on training and creating a more highly skilled workforce.

Some may find it increasingly difficult to find meaningful and sustainable employment due to the impacts of COVID-19 on the labour market. Sole parents, particularly those with young children, may already face difficulties when re-entering the labour market due to caring responsibilities and potential time away needed.

Disabled people also often face barriers to employment such as accessibility requirements or discrimination. This initiative will support these people to improve their skills and qualifications, empowering them to be competitive in the future labour market.

Increasing the courses available under the TIA will likely improve potential earning ability for people in the future. Research has found that attaining tertiary qualifications for example have a higher likelihood of employment and higher incomes, as well as having better health and lifestyle outcomes.

As we rebuild after COVID-19, we also need a workforce that is skilled and ready for the future. This initiative will enable more people to build their skillset and gain qualifications, and create a more highly skilled workforce in New Zealand.

## **Cost**

The expansion of TIA will cost around \$431 million over four years, and around \$187 million in capital over 10 years. This will be funded from the COVID-19 Response and Recovery Fund.

## **Abatement threshold**

The abatement threshold is the amount people on a benefit can earn, for example from wages if they are working part-time, before their benefit is reduced. This means for people

who are working while on a benefit, how much they earn can affect the amount of income support from MSD that they receive.

As wages have risen, the number of hours someone can work before their benefit begins to reduce has declined significantly over time.

Currently if someone is receiving the Jobseeker Support unemployment benefit and earns over \$90 per week, they will lose 70 cents of their benefit for every \$1 they earn.

For example, a single person on Jobseeker Support would have \$21 deducted from their main benefit if they earned \$120 per week (before tax).

For sole parents who are receiving the Sole Parent Support benefit and disabled people or people with longer term health conditions on the Supported Living Payment, they can currently earn up to \$115 before their benefit is reduced by 30 cents for every \$1 they earn. They then have a second threshold of \$215, and every \$1 earned after this is reduced at 70 cents per dollar.

For example someone on Sole Parent Support would have \$37 deducted from their benefit if they earned \$225 per week (before tax).

## Increasing how much people can earn while on a benefit

Labour will enable people to keep more of what they earn and increase the financial incentive to work by increasing the abatement threshold so everyone on a benefit can earn \$160 per week before their benefit is reduced. This is around 8 hours of minimum wage.

For some people this could mean around an extra \$3,000 in their pocket each year.

We will also continue Labour's commitment in our first term to progressively increase the abatement threshold year on year in line with minimum wage increases.

Labour will also increase the second threshold for those on Sole Parent Support and Supported Living Payment to \$250 per week. This will help women and people with health conditions or disabilities maintain an attachment with the labour market and allow them to better manage the costs of working such as transport, childcare and so on.

	Current (as at 1 April 2020)	Labour's policy change as at 1 April 2021
Jobseeker Support: reduced at 70 cents per dollar earned over...	\$90	\$160
Sole Parent Support and Supported Living Payment: reduced at 30 cents per dollar over...	\$115	\$160
Sole Parent Support and Supported Living Payment: reduced at 70 cents per dollar over...	\$215	\$250

## Improving transitions to work and increasing incomes for low income New Zealanders

As a result of COVID-19, people's work hours and job stability may be affected. By increasing the abatement threshold, Labour will ensure we remove the financial disincentive to work while on a benefit.

For people who still have work but also need income support due to reduced hours, this will enable them to stay attached to their current job while getting to keep more of what they earn.

For others who are looking for work, this change will make it easier to take up work while on a benefit. For some people, fulltime work may not be feasible. Maintaining part-time work while on a benefit can ensure people are able to take the opportunity to be in employment, without losing financial security.

For others, part-time work can be an important step toward full-time work. Particularly in a COVID environment where the labour market may be more competitive, part-time work can provide a chance to get work experience, and to re-connect with the labour market and the demands that can come with employment. This can be particularly important for parents or other caregivers who are also managing caring responsibilities.

Increasing abatement thresholds means we can remove the financial disincentive to take on more work hours and put more money in the pockets of low income New Zealanders.

## Cost

The estimated cost is up to \$320 million over four years and is likely to immediately benefit up to 30,000 people. The additional costs of year on year increases in line with minimum wage were already committed in Budget 19.

## Welfare overhaul and the recommendations of the Welfare Expert Advisory Group

In our first term of Government, Labour started the overhaul of the welfare system. We want a social security system that ensures people in need have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities. The Welfare Expert Advisory Group provided a foundation for what this could look like and 42 recommendations on how to get there. We have already made changes to start to address 22 of these recommendations. Our income support measures have already improved incomes for many:

- 12,000 couples with children are on average \$110 a week better off
- 85,000 sole parents are on average \$101 a week better off
- 14,000 couples with no children are on average \$43 a week better off
- 204,000 single people with no children are on average \$33 a week better off
- 315,000 beneficiary individuals and families are better off by \$55 a week

On top of this, during the Winter months, there is additional support provided by the Winter Energy Payment which gives families and couples an extra \$64 per week from May to October, and individuals \$41 per week.

And Labour has a plan for continuing the welfare overhaul.

In the medium-term, Labour will:

- reset the foundations of the welfare system
- increase income support and addressing debt
- strengthen and expand employment services

- improve supports and services for disabled people, people with health conditions and their carers
- build partnerships and enhance the community sector.

In the longer term, Labour will

- simplify the income support system
- align the welfare system with other support systems
- review housing and childcare supports.

Even prior to COVID-19, over a million New Zealanders were accessing support from our welfare system each year. As our country has felt the impacts of COVID-19 we have seen more than ever the importance of an effective social safety net. Now is the time to continue implementing our plan to improve the welfare system so all New Zealanders can get the support they need and build better futures.

## Flexi-Wage

Flexi-wage is a wage subsidy programme that assists employers to hire people who are at risk of long-term unemployment and receiving a benefit. The subsidy is targeted and flexible, commensurate to the type of business or the needs of the person being employed.

The Flexi-wage programme currently supports people into work who are at risk of long-term unemployment, and are receiving a benefit or at risk of losing their job, by paying a flexible wage subsidy to the employer. Last year 6,000 employers received a Flexi-wage subsidy for the person they hired at an average of \$3,500 per candidate.

### Expanding Flexi-wage

Labour will increase investment in the Flexi-wage programme to increase the average subsidy and enable up to an additional 40,000 people to take advantage of the programme, by:

- Investing an additional \$300m to increase the average subsidy to \$7,500 and enable up to 40,000 people to take advantage of the programme. The maximum subsidy will remain \$22,000.
- Amending the scheme to provide greater flexibility for employers and employees.
- Ring-fencing \$30m to support recipients to start a new business or help become self-sufficient in an existing business through the Flexi-wage Self Employment programme.
- Providing \$10m in operational funding for the Ministry of Social Development to administer the expanded programme. There is an additional \$1m for business outreach to ensure businesses are able to consider whether it is right for them.

### Supporting businesses to hire and retain workers

Thanks to our strong health response, we're coming out safer and stronger than many other countries. Our Wage Subsidy Scheme protected jobs and businesses from the worst impacts of COVID-19. However, the global effects of the pandemic are having a large effect on our economy, and not every job is able to be saved.



