

In Confidence

Office of the Minister for Social Development and Employment

Cabinet Social Outcomes Committee

Policy decisions for the Welfare that Works Bonus Payment

Proposal

- 1 This paper seeks agreement to:
 - 1.1 establish a welfare programme to administer the Welfare that Works (WtW) Bonus Payment of \$1,000, intended to reward young, long-term jobseekers who enter employment and remain off a main benefit
 - 1.2 authorise the Minister for Social Development and Employment to make decisions about the detailed design of the Bonus Payment, and
 - 1.3 prepare drafting instructions for the Parliamentary Counsel Office to amend the Social Security Regulations 2018 to give effect to the cash asset exemption for the Bonus Payment.

Relation to government priorities

- 2 The Bonus Payment:
 - 2.1 aligns with Government Target 5: Fewer people on the Jobseeker Support benefit, along with other initiatives such as tightening eligibility for 18 and 19 year olds applying for Jobseeker Support, and
 - 2.2 is a component of the WtW manifesto document and connects with the community job coaching (CJC) programme that is expected to commence in October 2025.

Background

- 3 The WtW programme is a key element of the Government's target to reduce the number of people on the Jobseeker Support benefit by 2030. It aims to strengthen a fair, firm, and simple welfare system for New Zealanders.
- 4 The WtW manifesto commitment includes:
 - 4.1 the CJC programme where jobseekers under 25 years old will work with community providers, who will support them to develop a plan to overcome their barriers to employment, and ensure they are held accountable to this plan, and
 - 4.2 a Bonus Payment of \$1,000 intended to reward jobseekers under 25 years old who have been on main benefit for longer than a year, who enter employment and remain off main benefit for 12 months.

- 5 More broadly, the Bonus Payment aligns with the target of supporting young people into work, reducing material hardship for children, and having fewer people on the Jobseeker Support benefit. This wider work programme includes diverse initiatives, such as the traffic light system intended to help benefit recipients understand and keep track of their obligations and reduce barriers to finding work.
- 6 I am presenting two initiatives which broadly support Government Target 5 to Cabinet as a package. Both are directed toward reducing benefit dependency for young people. This initiative, the Bonus Payment, rewards eligible young people who are sustaining a particular off-benefit outcome. The other is an initiative that tightens eligibility for 18 and 19 year olds applying for Jobseeker Support and Emergency Benefit. This encourages them to enter employment, education, or training before they come onto benefit, reiterates the expectation that parents support young people to do so, and therefore better targets the welfare system to those who need it most.
- 7 As part of Budget 2025, the Government committed funding of \$343.300m in operating expenditure and \$2.510m in capital expenditure to the initiative *Employment Services – Investing in Frontline Staff and Employment Programmes*, of which we expect to require § 9(2)(f)(iv) to introduce and deliver the Bonus Payment.

The Bonus Payment will be established through a new welfare programme

- 8 I am seeking authorisation to make decisions on the detailed design of the Bonus Payment, including the specific eligibility criteria, delivery of payments, and effective dates. The design will align with the overall intent of the Bonus Payment. § 9(2)(f)(iv)
- 9 The Bonus Payment will be a one-off payment available for long-term (at least 12 months) young jobseekers who participate in a WtW-CJC programme and are successful in transitioning off main benefit and into employment for at least 12 months.
- 10 The Bonus Payment can be established through a new welfare programme for the purpose of granting special assistance under section 101 of the Social Security Act 2018 (SSA). In February 2025, I agreed to establish this welfare programme, administered by the Ministry of Social Development (MSD), as a vehicle for the delivery of the Bonus Payment.
- 11 Because the WtW-CJC programme will commence in October 2025, the welfare programme for Bonus Payment should be agreed by the end of September 2026, meaning that the first eligible clients (young jobseekers who have worked with a CJC and have been off main benefit for 12 months) will be able to receive the Bonus Payment in October 2026. We estimate this will reach about § 9(2)(f)(iv) young people (out of the 10,000 total who are under the WtW-CJC programme).

The Bonus Payment should be exempt from cash asset testing

- 12 I have been advised that the Bonus Payment will not be considered as income (based on existing definitions) for the purpose of determining eligibility for other assistance, but could be considered a cash asset (capital payment).
- 13 I am seeking agreement to the Bonus Payment being exempted as a cash asset for a limit of 12 months for the purpose of determining eligibility for all assistance dependant on the Accommodation Supplement cash asset test, but not Temporary Additional Support or other assistance. This would meet the intent of the payment to reward young jobseekers for finding a job and getting off benefit, which would be undermined if their ongoing entitlement to Accommodation Supplement was impacted. This approach is consistent with similar one-off payments, which MSD delivers.
- 14 Drafting instructions will need to be prepared for the Parliamentary Counsel Office for amendment regulations to give effect to the cash asset exemption.
- 15 The Bonus Payment would also be exempt as income (non-taxable) for tax purposes as defined in the Income Tax Act 2007, which automatically defines payments made under a welfare programme as exempt. This requires no legislative changes to meet the policy intent.

Cost-of-living Implications

- 16 No cost-of-living implications are associated with this proposal.

Financial Implications

- 17 As part of Budget 2025, the Government committed funding of \$343.300m in operating expenditure and \$2.510m in capital expenditure to the initiative *Employment Services – Investing in Frontline Staff and Employment Programmes*, of which we expect to require s 9(2)(f)(iv) to introduce and deliver the Bonus Payment.

Legislative Implications

- 18 The Minister for Social Development and Employment will approve a welfare programme under section 101 of the SSA to establish the Bonus Payment. This will ensure the payments are not treated as income when assessing eligibility for benefits under the SSA, and they will not be taxable income or impact on eligibility for other social assistance payments, such as Working for Families. The welfare programme would be established to ensure that eligible clients can receive a bonus payment from October 2026.
- 19 I am also seeking approval to amend the Social Security Regulations 2018 to provide that the Bonus Payment is exempted as a cash asset when assessing eligibility for the Accommodation Supplement. To achieve this, I am seeking Cabinet authorisation to issue drafting instructions to the Parliamentary Counsel Office.

Impact Analysis

Regulatory Impact Statement

- 20 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.

Climate Implications of Policy Assessment

- 21 No climate implications are associated with the proposals.

Population Implications

- 22 The population implications for the Bonus Payment are expected to be minimal given the payment is to reward young jobseekers who remain off main benefit and in employment for 12 months.

Human Rights

- 23 We do not anticipate any issues regarding the Bill of Rights Act 1990. However, a final view as to whether the proposals will be consistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993 will be possible once the welfare programme has been drafted. Officials from the Ministry of Justice and the Ministry of Social Development will work together when necessary to ensure consistency.

Consultation

- 24 The agencies we consulted on this paper include Department of the Prime Minister and Cabinet, Te Puni Kōkiri, Ministry for Pacific Peoples, Ministries of Education, Health, and Business, Innovation and Employment, and Youth Development, Treasury, and the Social Investment Agency.

Communications

- 25 I intend the Bonus Payment welfare programme to be confirmed by October 2025, when the new WtW-CJC programme will commence, so that young people can be told about the potential to receive a Bonus Payment when entering the programme. I intend for the new welfare programme to be in place by September 2026, in time for the first eligible clients to receive that payment in October 2026.

Proactive Release

- 26 I intend to proactively release this paper, subject to the Official Information Act 1982.

Recommendations

The Minister for Social Development and Employment recommends the Cabinet Social Outcomes Committee:

- 1 **note** the proposals in this paper give effect to the Welfare that Works manifesto document, which proposes introducing a one-off Bonus Payment of \$1,000 to reward under 25 year olds who have been on Jobseeker Support for longer than a year who enter employment and remain off main benefit for 12 months
- 2 **note** the Bonus Payment aligns with the Government's target to support young people into work and have fewer people on the Jobseeker Support benefit
- 3 **note** that the Bonus Payment will be funded through funding committed to the initiative *Employment Services – Investing in Frontline Staff and Employment Programmes* as a part of Budget 2025, of which we expect to require s 9(2)(f)(iv) to introduce and deliver the Bonus Payment
- 4 **authorise** the Minister for Social Development and Employment to make decisions on the detailed design of the Bonus Payment, including the eligibility criteria, delivery of payments, and effective dates
- 5 **note** that eligible clients will need to complete an application to the Ministry of Social Development to receive the payment once they are eligible
- 6 **agree** to the Minister for Social Development and Employment establishing a welfare programme under section 101 of the Society Security Act 2018, by October 2026, to allow the Bonus Payment to be provided to young people who meet the eligibility criteria
- 7 **note** I intend the Bonus Payment welfare programme to be confirmed by October 2025 to ensure that young people can be told about the potential to receive a Bonus Payment when entering the WtW community job coaching programme
- 8 **note** that the Bonus Payment will be exempt as income based on the Social Security Act 2018 definitions
- 9 **agree** to amend the Social Security Regulations 2018 to provide that the Bonus Payment is exempted as a cash asset when assessing eligibility for all assistance dependant on the Accommodation Supplement cash asset test
- 10 **authorise** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to amend the Social Security Regulations 2018 as per recommendation 9.

Hon Louise Upston

Minister for Social Development and Employment