Budget Sensitive

Office of the Minister for Social Development and Employment

Social Outcomes Cabinet Committee

Tightening access to Jobseeker Support and Emergency Benefit for 18 and 19 year olds

Proposal

1 This paper progresses decisions related to the Budget 2025 initiative to tighten eligibility of Jobseeker Support and Emergency Benefit for people aged 18 and 19 years

Relation to government priorities

2 This Government is taking steps to make sure employment or study is the focus for young people, rather than being on welfare. We have set a target of 50,000 fewer people receiving Jobseeker Support by December 2029 than in December 2023 [CAB-24-MIN-0098]. This is supported by several initiatives, such as introducing a Bonus Payment to reward young Jobseekers who exit benefit into employment and remain off benefit for 12 months. This initiative to tighten eligibility for Jobseeker Support and Emergency Benefit supports the same target by making it clear that 18 and 19 year olds are expected to be supported by their parents if they are not in employment, education, or training. This ensures the welfare system is targeted to those who need it.

Executive Summary

3 In Budget 2025, Cabinet agreed to change the settings for Jobseeker Support and Emergency Benefit to ensure parents, rather than the government, are responsible for supporting single 18 and 19 year olds who are not in employment, education, or training [CAB-24-MIN-0098].

4 The proposal included a Parental Assistance Test, which would tighten single 18 and 19 year olds' access to Jobseeker Support Work Ready, Jobseeker Support Health Condition, Injury or Disability, and Emergency Benefit (when equivalent to Jobseeker Support).

5 I intend to expand upon the initial decisions made in Budget through amending the design of the Parental Assistance Test. This includes:

5.1 introducing a Parental Income Test along with a provision to assess situations where an 18 or 19 year old cannot reasonably be expected to rely on their parent/s for support (parental support gap test)

5.2 expanding the benefits in scope to include Jobseeker Support Student Hardship and Jobseeker Support on Ground of Hardship

5.3 including 18 and 19 year olds in a relationship (married or in a civil union or de-facto relationship) into the cohort that the Parental Assistance Test applies to.

6 Further policy decisions on the design of the proposed Parental Income Test and parental support gap test are also proposed for Cabinet's agreement to determine the parameters for future detailed design decisions.

7 I am proposing that Cabinet extends the authority previously delegated to me in Budget 2025, to make further detailed design decisions on the initiative between now and the end of 2025. I intend to introduce legislation for this in mid-2026 and implement this policy in November 2026, rather than July 2027 as proposed in Budget 2025.

8 After adjusting for the amended implementation date of November 2026, the addition of a Parental Income Test with an income limit aligned to the gross income cut-out point for a couple with dependent children receiving Supported Living Payment (currently $65,529 per year) will have an additional operating fiscal impact of $48.625 million over the forecast period, compared to Budget 2025 decisions. I am proposing to offset this operating impact currently, with departmental savings in the Vote Social Development appropriations, Improved Employment and Social Outcomes Support MCA and the Community Support Services MCA. s 9(2)(ba)(i) [redacted]

Background

9 As part of Budget 2025, Cabinet agreed to add a Parental Assistance Test to determine whether an 18 or 19 year old can reasonably be expected to rely on their parents for financial support. The Parental Assistance Test was proposed to be used to determine eligibility for Jobseeker Support (Work Ready, and Health Condition, Injury or Disability) and Emergency Benefit for single 18 and 19 year olds from July 2027 [CAB-25-MIN-126.61].

10 This proposal, alongside my proposal to establish the Welfare that Works Bonus Payment, is intended to reduce benefit dependency for young people. Both initiatives encourage young people to enter employment, education, or training and ensure that welfare assistance is targeted to those who need it most. The Parental Assistance Test also generates savings in Vote Social Development, however the extent of these savings will be determined following further detailed policy design decisions.

Policy Decisions on the Parental Assistance Test

11 The Parental Assistance Test aims to balance the Government's priorities of:

11.1 encouraging young people to enter employment, education and training

11.2 reinforcing the expectation that parents who can financially support their 18 or 19 year olds to do so

11.3 ensuring that the welfare system is there for those who need it most.

12 I propose to amend the design of the Parental Assistance Test agreed to in Budget 2025 as officials have advised me that the policy proposal Cabinet agreed to through Budget 2025 would not align with or achieve the Government's objectives. The Parental Assistance Test as proposed in the Budget 2025 initiative would lead to the expectation that parents with low incomes must financially support their 18 and 19 year olds who are not in employment, education or training, when they are not able to.

13 I propose expanding the Parental Assistance Test to include a Parental Income Test alongside the parental support gap test proposed in Budget 2025 to better align this initiative with the Government's objectives. I intend for each of these tests to act as a separate gateway, determining whether it is reasonable to expect a young person to rely on their parents for financial support. If the Ministry of Social Development (MSD) determines that it is not reasonable to expect the young person to rely on their parent/s through either the Parental Income Test or the parental support gap test, the young person will be able to access the specified benefits if they meet the other eligibility criteria.

14 Further to Budget 2025 decisions, I seek agreement that the policy will expand to include Jobseeker Support benefits on the on Ground of Hardship and Student Hardship, as well as 18 and 19 year olds in a relationship (married or in a civil union or de-facto relationship). However, I intend for the Parental Assistance Test to not apply to those with dependent children.

15 I intend to maintain the existing settings of who is included as a dependent child for welfare assistance. This includes cases under existing settings where an 18 year old may still be considered a dependent child and can be included in their parent/s benefit until the end of the school year, if they are still attending school or a tertiary establishment. Changes to settings relating to the inclusion of children in Working for Families are out of scope of this policy. Depending on how the policy change impacts behaviour, if more 18 year olds do stay in education until the end of the school year there may be an indirect impact on the amount paid out to their parents through welfare and tax credit support.

16 For this policy, I seek approval for the definition of parent to include natural parents, adoptive parents, and step-parents (who are married or in a civil union or de-facto relationship with the natural or adoptive parent) of the young person. The young person must put forward two parents, unless a parental support gap is established. Step-parent/s can only be considered if it is determined that the natural or adoptive parent cannot reasonably be relied upon to financially support the young person.

17 I am seeking agreement to implement this policy from November 2026, instead of July 2027 as agreed to in Budget 2025.

Policy decisions on the design of the Parental Income Test

18 The Parental Income Test will act as a gateway and test parental income to determine whether the 18 or 19 year old can be financially supported by their parents.

19 The Parental Income Test will require the young person to provide the income of two parents. However, if MSD determines that the young person only has the support of one parent, then the young person will not be required to provide two parents'

income. Instead, the young person will only be required to provide the income of the parent who is able to provide support. To verify that they only have the support of one parent, the young person will be required to confirm they have a parental support gap which means they cannot reasonably be expected to rely on support from the other parent.

20 The Parental Income Test will require the young person to provide evidence of their parents’ income over the last 52 weeks. MSD will determine whether a 52, 26 or four week assessment provides the best indicator of the parent/s ability to financially support the young person over the next 26 weeks.

21 I propose that the Parental Income Test will involve a parental income limit set at the gross income cut-out point for a couple with dependent children receiving Supported Living Payment (currently $65,529 per year). This would ensure the parental income limit remains consistent with the gross income cut-out point for a couple with dependent children receiving Supported Living Payment following the Annual General Adjustment.[1]

22 If the parental income is at or below the income limit, and the 18 or 19 year old meets the other eligibility criteria, they will be able to access the specified benefit.

23 If the young person’s parental income is above the income limit and there is no parental support gap, the 18 or 19 year old would not be able to access a specified benefit and would be expected to rely on parental support.

24 Approximately 4,300 18 and 19 year olds are expected to become ineligible for the specified benefits in 2027/2028 with a parental income limit aligned to the gross income cut-out point for a couple with dependent children receiving Supported Living Payment (currently $65,529 per year), in comparison to 9,205 becoming ineligible with the design of the Parental Assistance Test proposed in Budget 2025.

Policy decisions on the design of the parental support gap test

25 I acknowledge that a Parental Income Test on its own does not account for those young people who are not able to rely on their parents for support, regardless of parental income. I intend to also introduce a provision where MSD will determine whether a young person cannot reasonably be expected to rely on their parent/s for financial support. If this is determined, they will be able to access the specified benefits if otherwise eligible. This will be referred to as a parental support gap.

26 I propose that a parental support gap test will require a young person to make a declaration detailing their circumstances and why it is not reasonable to expect them to rely on their parent/s for financial support. If MSD determines that the young person has a parental support gap, the young person will be able to access a specified benefit if they meet the other eligibility criteria.

27 There may be specific circumstances in which the young person could meet the parental support gap test through a simplified process. This includes situations where

[1] Benefit cut-out points will be increased as a consequential change from increasing main benefit rates by inflation through the Annual General Adjustment. The size of the increase to the cut-point is dependent on the interaction of the abatement regime with the increase to the main benefit rates.

MSD or another government agency already has determined that a person cannot rely on their parents, such as those transferring directly from Youth Payment to one of the specified benefits. I will consider the specific circumstances for this in October 2025 with further detailed policy design decisions.

Further decisions on detailed design will be required

28 Cabinet agreed for the Minister for Social Development and Employment to make further policy decisions required to design and implement this proposal and that the Minister of Finance and Minister for Social Development and Employment would jointly make associated financial decisions [CAB-25-MIN-126.61].

29 I am seeking an extension of the authority that Cabinet delegated to me in Budget 2025, to allow me to make subsequent decisions on the detailed policy design. These decisions will finalise the initiative in preparation for legislation.

Cost-of-living Implications

30 This proposal encourages young people to enter into employment, education, or training rather than receive a benefit. Employment, education, and training puts young people in a better position to improve their circumstances and long-term employment outcomes. In turn, this will provide young people with more resources to cope with the cost of living.

Financial Implications

31 In the Budget 2025 bid, this initiative was estimated to lead to $163.704 million of fiscal savings in Vote Social Development over the forecast period (including $84.197 million in outyears) with implementation from July 2027.

32 After adjusting for the proposed implementation date of November 2026, the addition of a Parental Income Test with an income limit aligned to the gross income cut-out point for a couple with dependent children receiving Supported Living Payment (currently $65,529 per year) will have an additional operating fiscal impact of $48.625 million over the forecast period, compared to Budget 2025 decisions. I am proposing to offset this operating impact currently, with departmental savings in the Vote Social Development appropriations, Improved Employment and Social Outcomes Support MCA and the Community Support Services MCA. s 9(2)(ba)(i) [redacted]

Legislative Implications

33 Implementing this proposal will require changes to the Social Security Act 2018 and associated regulations. There may be consequential changes to other legislation that may be identified through the design process.

34 The proposal will be given effect through the Budget 2025 Initiatives Bill, [redacted] s 9(2)(f)(iv) [redacted]

35 I intend to submit an updated Bid for the 2026 Legislative Programme, seeking to introduce the Bill in mid-2026 with a commencement date from November 2026.

Impact Analysis

Regulatory Impact Statement

36 A Regulatory Impact Statement has been prepared for the proposals in this paper and is attached.

37 The Regulatory Impact Statement was reviewed by a panel of representatives from MSD. It received a 'partially meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. This assessment recognises that there were constraints on the range of options able to be considered by the authors and no specific public consultation on the proposals.

Climate Implications of Policy Assessment

38 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

39 This proposal is expected to impact young people and their parents. It is expected that it will impact Māori and Pacific Peoples, who are disproportionately in receipt of welfare, and those who have a short-term disability who would have otherwise qualified for Jobseeker Support Health Condition, Injury or Disability. It is likely that this policy will have an impact on families who live in Rural communities.

Human Rights

40 There are considerations surrounding fairness under the New Zealand Bill of Rights Act 1990 (NZBORA) and the Human Rights Act 1993. In particular section 19 of NZBORA, freedom from discrimination on the basis of age and family status and Section 21 of the Human Rights Act 1993 on prohibited grounds of discrimination.

41 This will be assessed further based on final policy decisions in October 2025.

Use of external Resources

42 No external resources (contractors or consultants) were involved in the policy development of these proposals, or the preparation of this Cabinet paper.

Consultation

43 This paper was provided for agency consultation on 9 September 2025 to the Child Wellbeing and Poverty Reduction Group, Department of Internal Affairs, Ministry for Ethnic Communities Ministry of Health, Ministry of Education, Ministry of Housing and Urban Development, Inland Revenue Department, Ministry of Justice, Ministry of Business Innovation and Employment, Ministry for Primary Industries, Social Investment Agency, Oranga Tamariki, Ministry for Pacific Peoples, Te Puni Kōkiri,

Whaikaha, Ministry for Women, Ministry for Youth Development, Ministry for Regulation, and the Treasury.

44 The Department of the Prime Minister and Cabinet was informed.

Communications

45 I intend to communicate these changes through a public announcement on 29 September 2025.

Proactive Release

46 This paper will be proactively released within 30 business days of decisions being confirmed by Cabinet, in accordance with the Cabinet Office Circular CO (23)4, with any appropriate redactions.

Recommendations

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

1 **note** that as part of the Budget 2025 process, Cabinet agreed [CAB-25-MIN-126.61]:

1.1 from July 2027, to tighten eligibility for young people to receive Jobseeker Support and Emergency Benefit to make it clear that single 18 and 19 year olds are expected to be supported by their parents if they are not in employment, education, or training

1.2 a parental assistance test for single 18 and 19 year olds will be introduced in July 2027 and this will apply to Jobseeker Support (Work Ready, and Health Condition, Injury or Disability) and Emergency Benefit

2 **agree** for the policy to be implemented in November 2026, rather than July 2027

Parental Assistance Test

3 **agree** that the Parental Assistance Test will consist of:

3.1 a Parental Income Test, and

3.2 a parental support gap test

4 **agree** that the cohort that the Parental Assistance Test will apply to is:

4.1 single 18 and 19 year olds

4.2 18 and 19 year olds who are in a relationship (married or in a civil union or de-facto relationship)

5 **agree** that 18 or 19 year olds who have a dependent child or children will not be subject to a Parental Assistance Test

6 **note** that Cabinet has previously agreed [CAB-25-MIN-126.61] that the Parental Assistance Test will apply to:

6.1 Jobseeker Support Work Ready

6.2 Jobseeker Support Health Condition, Injury or Disability

6.3 Emergency Benefit (when the equivalent benefit is Jobseeker Support)

7 **agree** that the Parental Assistance Test will also apply to:

7.1 Jobseeker Support Student Hardship

7.2 Jobseeker Support on Ground of Hardship

8 **agree** that a parent under this policy will include:

8.1 a natural parent

8.2 an adoptive parent

8.3 a step-parent (when married or in a civil union or de-facto relationship with the natural or adoptive parent of the 18 or 19 year old)

9 **agree** that two people will be considered parents for the Parental Assistance Test, with only one person being considered a parent in situations where the 18 or 19 year old declares that they only have one parent that they can reasonably be expected to rely on for support and MSD determines that there is a parental support gap with the second parent

10 **agree** that a step-parent can only be considered if it is determined that the 18 or 19 year old cannot reasonably be expected to rely financially on the natural or adoptive parent

11 **note** that I intend to maintain the existing settings of who is included as a dependent child under welfare assistance and make no changes to settings relating to the definition of dependent children in Working for Families or Child Support

Parental Income Test

12 **agree** that the period that parental income will be considered, for the purposes of the Parental Income Test, will be the parent/s income over the past 52, 26 or four weeks, depending on what period MSD determines best represents the parent/s ability to financially support the 18 or 19 year old for the next 26 weeks

13 **agree** that the parental income test will have a parental income limit set at the gross income cut-out point for a couple with dependent children receiving Supported Living Payment (currently $65,529 per year) which will ensure that the parental income limit remains equal to the cut-out point following the Annual General Adjustment

14 **agree** that if the parental income is above the income limit and there is no parental support gap, the 18 or 19 year old would not be able to access a specified benefit

15 **agree** that if the 18 or 19 year old's parental income is at or below the limit and the 18 or 19 year old meets the other eligibility criteria, they will be able to access a specified benefit

Parental support gap test

16 **agree** that the parental support gap test will require an 18 or 19 year old to declare they cannot reasonably be expected to rely on their parent/s for financial support

17 **agree** that if MSD determines that the 18 or 19 year old cannot reasonably be expected to rely on their parents for financial support the young person can access a specified benefit if they are otherwise eligible

18 **agree** that where MSD or another government agency has established a parental support gap MSD can use that information to satisfy the requirements for the parental support gap test

Authorisation

19 **note** Cabinet previously authorised the Minister for Social Development and Employment, alongside the Minister of Finance when the decision is financial, to make further policy decisions required to design and implement this proposal [CAB-25-MIN-126.61]

20 **agree** for delegated authority to be extended to allow the Minister for Social Development and Employment, in consultation with other Ministers as appropriate, to make further detailed policy design decisions to finalise the initiative in preparation for legislation and for the Minister of Finance and Minister for Social Development and Employment to jointly make any associated financial decisions

Financial Implications

21 **note** the operating balance fiscal impact for the above changes to the Budget 2025 initiative - to tighten eligibility of Jobseeker Support and Emergency Benefit for single people aged 18- and 19-year-olds is fiscally neutral as the non-departmental operating impact of $48.625 million is offset by departmental savings in the Vote Social Development appropriations, Improved Employment and Social Outcomes Support MCA and the Community Support Services MCA across the forecast period

22 **agree** to the following changes in spending to provide for the costs associated with the policy changes above, with the following impact(s) on the operating balance and/or net core Crown debt:

Vote Social Development	**$m – increase/(decrease)**				
	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29 & Outyears**
Operating Balance and Net Core Crown Debt Impact	-	-	(56.271)	27.335	28.936
Net Core Crown Debt Impact only	-	-	(0.274)	(14.738)	(14.322)
No Impact	-	-	(6.181)	8.182	8.415
Total	**-**	**-**	**(62.726)**	**20.779**	**23.029**

23 **approve** the following changes to appropriations to give effect to the policy decisions above:

	$m – increase/(decrease)				
Vote Social Development **Minister for Social Development and Employment**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29 & Outyears**
Benefits or Related Expenses:					
Hardship Assistance	-	-	9.286	(25.714)	(24.988)
Jobseeker Support and Emergency Benefit	-	-	(55.447)	81.860	82.844
Non-Departmental Other Expense:					
Debt Write-downs	-	-	(0.082)	(4.421)	(4.297)
Non-Departmental Capital Expenditure:					
Recoverable Assistance	-	-	(0.274)	(14.738)	(14.322)
Multi-category Expenses and Capital Expenditure					
Improved Employment and Social Outcomes Support (MCA)					
Departmental Output Expense:					
Administering Income Support	-	-	(12.157)	(12.156)	(12.156)
(funded by revenue Crown)					
Community Support Services (MCA)					
Departmental Output Expense:					
Developing and Managing Community Services			(4.052)	(4.052)	(4.052)
(funded by revenue Crown)					
Total Operating	**-**	**-**	**(62.452)**	**35.517**	**37.351**
Total Capital	**-**	**-**	**(0.274)**	**(14.738)**	**(14.322)**

Legislative implications

24 **note** that amendments to the Social Security Act 2018 and associated regulations are required to implement the policy changes, and there may be consequential changes to other legislation

25 **note** that the proposals will be given effect through the Budget 2025 Initiatives Bill, s 9(2)(f)(iv) [redacted] I intend to submit an updated Bid for the 2026 Legislative Programme, seeking to introduce the Bill in mid-2026 with a commencement date from November 2026

26 **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to give effect to decisions above, and then to seek approval from Cabinet to introduce legislation.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment