MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Regulatory Impact Statement: Tightening access to Jobseeker Support and Emergency Benefit for 18 and 19 year olds

Decision sought	The analysis in this document has been produced to support Cabinet decisions on the policy settings of a Parental Assistance Test (PAT), to tighten access to specified benefits for 18 and 19 year olds without dependent children. This includes (but is not limited to) the specific components of the PAT, the cohorts it would apply to, and the specific settings of each aspect of the PAT.
Agency responsible	Ministry of Social Development
Proposing Minister	Hon Louise Upston, Minister for Social Development and Employment
Date finalised	10 September 2025

The regulatory proposal is to amend the Social Security Act 2018, and associated regulations to allow a PAT to be added to the eligibility criteria for 18 and 19 year olds (young people) for specified benefits.

<u>NOTE</u>: For the purposes of this Regulatory Impact Statement (RIS), unless specified otherwise, the terms:

- "Young people" and "young person" refer to 18 and 19 year olds who do not have any dependent children[1], and
- "Specified benefits" refer to:
  - Jobseeker Support – Health Condition, Injury, or Disability,
  - Jobseeker Support – Work Ready,
  - Jobseeker Support – Student Hardship,
  - Jobseeker Support on the grounds of Hardship, **and**
  - Emergency Benefit when it is paid in place of Jobseeker Support or Jobseeker Support Student Hardship because the young person does not meet Jobseeker Support eligibility criteria.

[1] 18 and19 year olds with a dependent child or children are eligible for Young Parent Payment rather than Jobseeker Support.

Summary: Problem definition and options

What is the policy problem? More young people are receiving Jobseeker Support. This has the potential to negatively impact their long-term outcomes as well as contributing to increased benefit expenditure, which is a significant expense for Government.
What are the policy objectives? To reduce the number of young people on Jobseeker Support, by encouraging them to enter employment, education, or training, and thereby reducing government expenditure.
What policy options have been considered, including any alternatives to regulation? The policy options that have been considered are: 1. Retain the status quo and make no changes to the eligibility criteria of specified benefits for young people. 2. **[Ministry of Social Development's preferred option]** Provide more education and training services for young people, including addressing numeracy and literacy barriers to employment, education, and training. This is the sole non-regulatory option. 3. Introduce a parental income test, which would restrict young people's access to specified benefits to those whose parents earn under a certain amount, assuming the young person meets all other eligibility criteria. 4. Introduce a parental support gap test, which would restrict young people's access to specified benefits to those who do not have the ability to rely on their parents (e.g. because they do not have a relationship with their parents or their parents have died), assuming the young person meets all other eligibility criteria. 5. **[Minister's preferred option]** Introduce both a parental income test and a parental support gap test as part of a PAT, which would restrict young people's access to specified benefits to those who either have parents that earn below a set level or who cannot be relied on. In addition to other eligibility criteria, a young person would need to meet either of the tests to receive support.

What consultation has been undertaken?

The intention is to undertake targeted engagement from September to October 2025 with key stakeholders who have relevant experience and expertise. This will include Ministry of Social Development (MSD) reference groups, youth and beneficiary advocacy groups, and organisations which focus on providing community and family support. The engagement will follow a consistent format and primarily be based online, except for Wellington-based sessions, which will be in person. As the engagement will be subsequent to Cabinet decisions on the high-level policy design, the sessions will focus on understanding how MSD can operationalise the PAT.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

No. The Minister's preferred option, and that presented in the Cabinet paper, is Option Five: Parental Assistance Test. The preferred option in the RIS is Option Two: More education and training services for young people.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

The known impacts of this policy will be financial and direct. However, there are also likely to be financial and non-financial costs and impacts which MSD cannot predict with any confidence.

Most of the costs resulting from savings to the Crown will fall on parents whose young person/s are ineligible for a specified benefit as a result of the policy change. This will occur when the parents earn over the income limit (which would be $65,529 per annum if the policy was implemented in 2025/26) and are still engaged in their young person's life. Parents in this situation will face increased costs from supporting their 18 or 19 year old while the young person is not in employment, education, or training.

Young people will also face increased costs from this policy, both monetised and non-monetised. This option would place increased compliance requirements on the young person, both at the initial application for assistance and, if eligible, at their reapplications. If a young person is not eligible for support (i.e. they do not have a parental support gap and their parents earn over the income limit), there is a risk that they may not have access to financial support at all if their parents refuse or are unable to support them financially.

This policy may lead to an increase in demand for assistance provided by community service providers or other non-governmental organisations (e.g. food banks) due to higher costs being placed on individuals and families, which would increase their costs. There is also uncertainty about whether, without access to a specified benefit, the young person will be able to enter employment, education, or training.

There will be costs to MSD for implementing and administering the PAT. While funding for these costs were provided through Budget 2025, there may be some additional costs due to changes to the policy since May 2025.

It is possible that there could be an increase in the uptake of Student Allowance or Student Loan by young people who are unable to access a specified benefit but are able to meet the relevant eligibility criteria. Due to data and modelling constraints, it is unclear as to how large this effect would be (if it happened at all).

Similarly, any potential flow-on costs to other areas of government (e.g. the health, housing, or justice systems) are also unclear due to data and modelling constraints. These potential costs could occur as a result of young people having reduced means to meet costs, or from families having higher overall costs.

The expected distributional impacts of this option are:

- Young Māori and Pacific People (and their families) are overrepresented in the benefit system. However, they are more likely to be from a lower socio-economic background, meaning they will be more likely than other ethnicities to continue to be able to access specified benefits.
- Disabled young people and their families may be impacted as a result of Jobseeker Support – Health Condition, Injury, or Disability also being included in the policy. Disabled people tend to face higher costs of living due to health-related expenses and could be disadvantaged if this is not accounted for in the parental income limit.
- Members of a rainbow community[2] are more likely to be receiving a benefit and not be able to rely on their parents for support than their cisgender and straight peers. This policy could negatively impact these communities if their specific circumstances are not considered as part of the policy design.
- It is possible that some young people may be incentivised to have children to maintain access to income support as the proposed eligibility changes do not apply to a young person with a dependent child/ren.
- This policy may result in young people being expected to be financially dependent on their parents in situations where they have previously been subjected to physical, psychological, emotional, or sexual violence.

No impacts on competition have been identified.

Benefits (Core information)

This proposal is designed to deliver savings to Vote Social Development as a result of reduced expenditure on benefits, the main monetised benefit from this proposal. The expected savings to Vote Social Development will vary based on the finalised settings, such as the income limit for the parental income test and what constitutes a parental support gap. The estimated savings are based on forecasts from the 2025 Budget Economic Fiscal Update, and are based on the following assumptions:

- The initiative will incentivise some 18 and 19 year olds to enter employment, education, or training instead of accessing support from the government in the form of one of the specified benefits.
- Income is evenly distributed between available data points.
- MSD client incomes increase in line with forecasted increases to the parental income limit.
- Hardship usage is in line with what has been assessed.
- All changes take effect from November 2026 (i.e. none will be phased in).

In some cases, there may be benefits for young people, resulting from increased incentives to focus on work or study options due to the changes. However, the extent to which this

[2] This is an umbrella term for any person who is lesbian, gay, bisexual, transgender or takatāpui.

proposal will have this type of behavioural impact on young people is unclear and difficult to quantify.

Balance of Benefits and Costs (Core information)

The monetised benefits for government in the short term are likely to outweigh the costs, in that the forecast benefit savings are higher than the costs of implementing the new policy. The size of this monetised benefit will depend on finalised policy settings, and on potential behavioural impacts from the policy change that have not been able to be accounted for. The potential flow-on costs to other government services (e.g. Emergency Housing or Student Loans) have not been modelled, meaning that impacts of the policy over time could outweigh the benefits being sought.

In terms of impact on young people and their families, the costs will likely significantly outweigh the benefits. Young people who are eligible to receive support from MSD will face additional compliance burdens to do so (with additional eligibility tests), while those who are not eligible could either have additional financial cost placed on their families or risk increased hardship if their families do not provide them with support.

Some young people face barriers to entering employment, education, or training (e.g. due to disability or mental health issues) but don't qualify for the Supported Living Payment.[3] These young people may have limited options, particularly if their parents are unable to meet their costs but earn above the income limit.

After adjusting for the implementation date of November 2026 (previously July 2027), 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.

Approximately 4,300 18 and 19 year olds are expected to become ineligible for the specified benefits in 2027/2028 with this parental income limit as compared to 9,205 becoming ineligible with the design of the Parental Assistance Test that was proposed in Budget 2025.

Implementation

MSD will be responsible for the design and implementation of the proposal and is confident that implementation will be effective and efficient.

Funding for IT changes and resourcing was provided through Budget 2025. However, these funding requirements will need to be updated to reflect the changes in the policy parameters of the proposed policy change.

The main implementation risk that has been identified to date is Government's extensive legislative agenda for this Parliamentary term. This proposal cannot be implemented without amending the Social Security Act 2018 and associated regulations.

The new policy is intended to come into effect in November 2026. s 9(2)(f)(iv) [redacted]

Limitations and Constraints on Analysis

The broad concept (tightening access to specified benefits for young people) was developed at considerable pace as part of the Budget 2025 process. Budget confidentiality rules meant

[3] Noting that the policy includes those on Jobseeker Support with a Health Condition, Injury or Disability.

that no consultation was possible at that time, while the options that were explored were constrained due to the policy being a Budget cost-savings initiative. Time constraints have meant that it has not been possible to test the assumptions made about the number of young people whose parents earn at or below the proposed income threshold or who cannot rely on their parents for support. Data and modelling limitations have also constrained the analysis of the likely size of the behavioural impact on 18 and 19 year olds, and the financial cost on the parents and families who will need to support them. It has also not been possible to model any potential impacts on demand for wider government support. Subject to Cabinet agreement on the high-level policy design, MSD intends to conduct targeted consultation with key non-government stakeholders.

Summary: Agency's preferred option

Costs (Core information)
This proposal would have a higher overall initial cost to government, as a result of increased spending on targeted employment and training interventions. The exact cost of this would depend on the suite of policies chosen, and the contracts which are agreed upon. As with all education and training opportunities, some costs may also fall on the young people themselves – for example, transport to and from the training, or any associated course costs that cannot be met through other means. No impacts on competition have been identified.
Benefits (Core information)
This policy would benefit young jobseekers by helping them to improve their employability and prepare for entering more sustainable long-term employment. This would help to address any potential barriers to employment which the young person has, such as the lack of necessary skills. In turn, this would improve their prospects of a permanent exit from the benefit system and reduce their risk of long-term benefit dependency. Increased employability of young people and their exit from the welfare system could also result in savings for MSD in the medium to long-term, as a result of reduced future years on benefit. At a wider level, there may also be reduced demand for other government services, although as stated previously this is difficult to quantify with any accuracy. The ability to provide a range of targeted employment and training programmes means that options could be provided which directly address groups that are disproportionately represented in the welfare system, meaning that such groups could benefit to a greater extent from this option. For example, programmes which support disabled people into work or take a te ao Māori approach could help to address the greater barriers these groups face getting into employment. This option would also be consistent with the purpose of the Social Security Act 2018, which is to provide financial and other support to help people find and retain paid employment, as well as to provide services to encourage and help young people to move to or remain in education, training, and employment, rather than receiving financial support under this Act.
Balance of Benefits and Costs (Core information)

While short-term costs of this option are higher, this would likely be outweighed by the benefits of this option in the medium to long-term as a result of improving the long-term employment prospects of young jobseekers. This option also reflects that employment is conditional on the wider labour market, and that increasing skills can help improve prospects for when the market improves (i.e. when more jobs are available).

Implementation

As this option is more in line with current practice, implementation would be simpler and more straightforward. Work would be undertaken on determining relevant training options and carrying out the required procurement processes once funding had been secured.

Limitations and Constraints on Analysis

As initial policy work was undertaken as part of cost-savings work on Budget 2025, exploration of other options – particularly those which had greater short-term costs – was extremely limited. This has been further constrained by Cabinet's decision to pursue a parental income test. As a result, consultation on this potential option has not been undertaken, and exploration of specific interventions has not been carried out.

I have read the Regulatory Impact Statement, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits, and impact of the preferred option.

Responsible Manager(s) signature:

Rachel Kenealy
Acting Policy Manager – Welfare System
11 September 2025

Quality Assurance Statement

Reviewing Agency: MSD	**QA rating: Partially meets**

Panel Assessment

1. Complete:
    - We understand all the necessary information that was available at this time has been included.
2. Convincing:
    - The analysis and conclusions were supported by the analytical framework and considered costs and benefits and supporting evidence. However, the analysis could have been strengthened further if more time was available to test some assumptions and explore further modelling.
3. Consulted:

- No consultation has been undertaken, but the advice notes the intention to undertake some consultation as part of further work.

4. Clear and concise:
    - The material communicated in plain English and the RIS is the appropriate length.

Panel comment:

This Regulatory Impact Statement has been assessed as 'partially meets' against the quality assurance criteria for the purposes of informing Cabinet decisions. The assessment recognises that the analysis could have been strengthened by consultation and further analysis in some areas. The panel noted there were some limitations to the analysis due to time constraints.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem?

The Government is concerned about the number of people receiving Jobseeker Support

1 The number of people receiving Jobseeker Support is increasing. Ministry of Social Development (MSD) data shows a 76 percent increase in receipt of Jobseeker Support and/or Emergency Benefit between June 2018 and June 2025. The number of people aged 18-24 receiving Jobseeker Support is increasing even faster, with a 107 percent increase over the same period.[4]

2 The Government is committed to reducing the number of people on Jobseeker Support by shifting people into employment on the basis that those who can work should work. It has set a target of 50,000 fewer people on Jobseeker Support by December 2029 as compared to March 2024 [CAB-24-MIN-0098].

3 The Government's Employment Action Plan - August 2024[5] (EAP) identifies that it is the government's responsibility to provide effective services where the labour market is not functioning appropriately, including for disabled people, women, Māori, Pacific peoples, migrant and ethnic communities, older workers, and youth. The Government's focus is on supporting people into employment and reducing benefit dependency, given the negative impacts of benefit dependency on youth and households with children, as well as tightening migration settings at the low-skilled end where there are opportunities to help New Zealanders to get into work.

4 The EAP notes that any surge in welfare dependency requires early and decisive action by setting out clear expectations around employment, delivering services where and when they can make the most difference, and the use of benefit sanctions where people are not meeting their obligations. In that context, the following action points for MSD are included in the EAP. It should be noted that actions have to do with supporting people (including young people) who are receiving a benefit rather than seeking to address welfare dependency by restricting or removing access to benefits.

[4] Calculated from quarterly MSD benefit fact sheet data, available at https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html

[5] *Employment Action P:lan – August* 2024, available at https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment/employment-action-plan-august-2024

Actions

1	**Use community providers, clear obligations and targeted incentives to get young people off welfare and into work. (MSD)** Key deliverables: - Support 4,000 additional young jobseekers in phone-based case management including by providing individual job plans. - Implement community-based job coaches for young jobseekers.
2	**Ensure the welfare system is focussed on effectively supporting people who can work into jobs. (MSD)** Key deliverables: - Target MSD case management to cohorts to support the Government's Jobseeker target. - Introduce new approaches to supporting jobseekers, including seminars supporting job profiles/CVs/training and new work check-ins for jobseekers in their first two weeks on benefit and after six months. - Clearly communicate to clients that they must comply with their obligations or risk being sanctioned, by implementing the Traffic Light System and considering options for non-financial sanctions, including community work experience and money management
3	**Address persistent disadvantage, by exploring a focus on key points in people's lives when interventions are more likely to be effective. (MSD)** Key deliverables: - Develop a life-course-derived approach to help reduce persistent disadvantage in the labour market. - Provide advice identifying medium to long-term work to reduce persistent disadvantage. - Publish a refreshed Child and Youth Strategy.

Excerpt from 'Employment Action Plan - August 2024'

Young people are particularly at risk of extended periods on benefit, which can have negative impacts

5 Research commissioned by MSD shows that, on average, people who receive a benefit will likely do so for many years. [6]

6 Unemployment is associated with a range of negative outcomes. As the duration of unemployment increases, so does the risk that work skills deteriorate, unemployment becomes entrenched, poverty deepens, social dislocation occurs, and overall wellbeing deteriorates.

7 As of June 2025, approximately 15,060 Jobseeker Support recipients were 18 or 19 year olds. MSD's Social Outcomes Model shows that being first supported by a main benefit before the age of 20 is the largest risk factor for future benefit receipt and is a key predictor of lengthy future spells on benefit.[7] However, there are also other risk factors for future main benefit receipt such as having care and protection history, intergenerational main benefit receipt, achieving less than NCEA Level 2 (or equivalent) and receiving mental health services in the previous three years. [8]

---

[6] *Future years on benefit*, MSD, available at https://www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2024/future-years-on-benefit.html

[7] *Social Outcomes Modelling 2023 – Technical Report,* available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/2023-social-outcomes-modelling-technical-report.pdf

[8] *Social Outcomes Model – Benefit Systems Insights* (p.6), available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/social-outcomes-model-benefit-system-insights.pdf

8 The same modelling shows that those young people who entered the benefit system between 2022 and 2023 tended to have slightly fewer risk factors, on average, and are expected to spend less time receiving main benefit support in the future. This has contributed to the decrease in average future years on a main benefit for young clients. The estimated average for under 25-year-old main benefit clients has decreased by 0.9 years from 21.3 to 20.4, average future years for young Jobseeker Support clients has decreased by 0.7 years from 18.9 to 18.2 years, and for YP/YPP clients this has decreased by 1.1 years from 24.0 to 22.9 years.[9]

9 Economic conditions are a driver for the numbers of people in receipt of Jobseeker Support. Young people tend to be affected more by economic shocks[10] and generally have larger increases in benefit numbers during economic slowdowns. This is because young people are more likely to have lower skill levels, more casual employment arrangements, and high levels of employment in sectors like the service industry, which are more exposed to the effects of economic downturns as observed during the Global Financial Crisis (GFC) and COVID-19 pandemic. However, younger age groups also tend to have larger decreases in benefit numbers as the economy recovers.

10 Many young people transition effectively from high school education into employment, training, or further education. However, some young people do not make the transition and after they leave school are not in employment, education, or training (NEET). Young people classified as NEET will include those who want to work but are unable to get a job, not motivated to work or study, are looking after children or relatives, who are ill, or who are living with long-term disabilities.

11 Studies have found that young people who are NEET are more likely to be inactive in the labour market later in life. As a result, they are likely to face longer periods on benefit, low income, and long-term unemployment, all of which can have negative impacts on their mental health, social relationships, and economic outcomes later in life.[11]

Long-term benefit receipt is also costly to government

12 There is a cost to government of benefit receipt. In Budget 2025, $9.952 billion was appropriated for payment of working-age benefits for the 2025/26 financial year.[12] Longer periods of benefit receipt constitute a significant fiscal cost to government due to the length of time over which benefits are paid, and also the lack of the offsetting effect of paying income tax.

13 Central to the Government's fiscal strategy are measures aimed at reducing government expenditure as a share of the economy in order to "balance the books and" achieve a

---

[9] *Social Outcomes Model – Benefit Systems Insights* (p.6), available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/social-outcomes-model-benefit-system-insights.pdf

[10] Ministry of Social Development. (2023). Insights Reporting Series: Young people 16-24 years old. www.msd.govt.nz/documents/about msd-and-our-work/publications-resources/statistics/insights-reporting series-docs/insights-reporting-series-young-people.pdf

[11] *Preparing All Young People for Satisfying and Rewarding Working Lives:* MSD Long-term Insights Briefing (2022), available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/long-term-insights-briefings/ltib-preparing-all-young-people-for-satisfying-and-rewarding-working-lives.pdf

[12] *Budget Economic and Fiscal Update 2025*, available at https://www.treasury.govt.nz/sites/default/files/2025-05/befu25-v2.pdf

return to surplus. This drive for fiscal restraint includes seeking opportunities to find savings across all government departments, including the benefit system.

Government has ways to influence the behaviour of benefit recipients

14 The Government is seeking to make full use of the five main ‘levers’ it has available to improve social and economic outcomes for those receiving welfare. These levers are case management, employment services, obligations and sanctions, financial incentives, and gateways (such as eligibility settings).

15 Resourcing for MSD’s case management services has recently been increased. These services include jobseekers with high needs being assigned case managers, and a phone-based employment case management service for work-ready young people aged 18 to 24.

16 A range of employment services are available to assist MSD clients. These include job search assistance, CV and interview preparation, job placement, job matching services, wage subsidies and financial grants to help a person transition into employment. The Government has also funded more places for young people to get community job coaching.

17 The recently introduced Traffic Light System is intended to help people stay on track with their obligations. Jobseeker Support recipients are now required to attend a work seminar after two weeks on a benefit to help them understand their obligations, what help is available and decide their next steps to find work. The requirement for Jobseeker Support recipients to reapply for their benefit every 26 weeks means that MSD will check in more regularly to make sure clients are getting the right support to find or prepare for work.

18 The intent of all of these measures is to encourage young, work-ready jobseekers to continue to engage in preparing or looking for employment if they are not in education or training.

What is the policy problem or opportunity?

19 The Minister for Social Development and Employment considers that, despite the employment support provided by MSD and the recently introduced Traffic Light System, more needs to be done to incentivise 18 and 19 year olds to move off Jobseeker Support into employment, education, or training. This is because of the higher risk of long-term benefit dependency for young people, and the resultant cost to government.

20 As the duration of unemployment increases so does the risk that client’s work skills deteriorate, unemployment becomes entrenched, poverty deepens, social dislocation occurs, and overall health deteriorates.

21 The Government wants to make it clear that the welfare system is for those who do not have other means of support, and that in the first instance, 18 and 19 year olds should be financially supported by their parents. The Government’s expectation is that putting the onus on parents to provide financial support (rather than government doing so) will result in savings in benefit expenditure. There is also an expectation that young people will become incentivised to take up employment or study opportunities because they won’t be able to access financial support from government and/or because parents will bring pressure to bear on their young people to take action in order to reduce the financial impact on the parents.

Population impacts

22 Certain groups tend to be disproportionately represented in the benefit population as compared to the wider New Zealand population. As a result, any changes made to the welfare system tend to disproportionately affect these groups.

23 Generally speaking, young people are more likely to be unemployed than other age groups. In the December 2024 quarter, the unemployment rate for people aged 15 - 19 was 23.8 percent, significantly higher than the overall unemployment rate of 5.1 percent for the same period. This means that there may be greater need for support for this cohort, and that there may be wider labour market factors which limit the effectiveness of any interventions. Young people who have dependent children will not be affected as they will be in receipt of the Young Parent Payment until they turn 20.

Māori and Pacific People

24 Roughly one-third of 18 and 19 year olds on Jobseeker Support identify as Māori, and 11 percent as Pacific People. These are roughly equivalent to the percentage of the wider benefit population who identify with these ethnicities but is greater than the representation of these groups in the wider New Zealand population.

25 Similarly, both Māori and Pacific People have higher unemployment rates than the wider population. For the March 2025 quarter, the unemployment rates for Māori and Pacific People were 10.5 and 10.8 percent respectively. The intersection between higher unemployment rates for these groups and that for youth mean that young Māori and Pacific People are significantly more likely to be facing unemployment.

Disabled people

26 Because the changes will be applied to all of the different sub-types of Jobseeker Support and the equivalent Emergency Benefit (rather than just to Jobseeker Support – Work Ready), disabled people are more likely to be affected. As of June 2025, roughly one-fifth of Jobseeker Support recipients aged 18 and 19 were receiving Jobseeker Support – Health Condition, Injury or Disability, indicating that they are limited in their capacity to work (or are temporarily unable to work at all) for health-related reasons, including disabilities.

27 Disabled people tend to have higher costs and higher rates of unemployment as compared to non-disabled people. In the June 2024 quarter, the unemployment rate of disabled people was over double that of non-disabled people, at 11 percent compared to 4.5 percent respectively. Even when employed, disabled people tend to have poorer outcomes than non-disabled people, with figures from the same period showing that disabled people had a median weekly income of $523 compared to $1,141 for non-disabled people.[13]

Women

28 As of June 2025, just under 90,000 women were receiving Jobseeker Support, representing roughly 41 percent of the total Jobseeker Support cohort. This is relatively lower than the proportion of women receiving support through other benefits, with just over 50 percent of Supported Living Payment recipients and 90 percent of Sole Parent Support recipients identifying as women. Within the cohort of women in receipt of Jobseeker Support, just

[13] *Labour market statistics for disabled people – June 2024 quarter,* available at https://www.whaikaha.govt.nz/news/news/labour-market-statistics-for-disabled-people-june-2024-quarter

under one-quarter are aged 18-24, representing a significant cohort which would be affected by any potential changes in this area.

Rainbow communities

29 Members of a rainbow community are more likely to be receiving a benefit than their cisgender and straight peers. The rainbow benefit population also skews younger than the population as a whole, meaning that any changes that affect young people would have a greater effect on the rainbow community.

What is proposed

30 The proposal is to reduce the number of 18 and 19 year olds on benefit by tightening the eligibility criteria for specified benefits[14] through introducing a PAT from November 2026. The PAT will consist of a parental income test in the first instance and will mean that, in addition to a young person meeting all other existing eligibility criteria, a young person's parents must earn under a specific amount (the income limit) in order for the young person to be able to receive support. There will be further decisions made on policy settings as part of the implementation design process.

31 If a young person tells MSD that they cannot rely on their parent or parents for support, MSD will use a parental support gap test to assess whether there are circumstances that mean that they cannot rely on their parents for financial support.

32 If parental income is at or below the specified income limit, or there if is a parental support gap, the 18 or 19 year old will be eligible for the relevant benefit (provided they also meet all the other eligibility criteria for that benefit).

What objectives are sought in relation to the policy problem?

33 The policy objectives being sought are to:

- **Encourage young people to enter employment, education, or training:** The policy proposal should help to motivate and/or support more young people into employment, education, or training (as opposed to being on Jobseeker Support)
- **Reduce the likelihood of long-term benefit dependency for young people:** Given the high correlation between young people receiving a benefit and long-term benefit dependency, the policy should help to reduce the risk that young people in need of support remain on benefit for long periods.
- **Reduce the fiscal cost to government:** In line with the current Government's drive to reduce expenditure and identify savings, the policy should help reduce the overall cost of the welfare system to government. This could be over the short, medium, or long-term.

What consultation has been undertaken?

34 No consultation has been done to date because the work was initiated through Budget 2025 and therefore subject to confidentiality requirements. The intention is to conduct

[14] In this context, "specified benefits" refers to any of Jobseeker Support – Work Ready, Jobseeker Support – Health Condition and Disability, Jobseeker Support – Student Hardship, or Jobseeker Support on the grounds of Hardship. It also includes recipients of Emergency Benefit when it is paid in place of Jobseeker Support or Jobseeker Support Student because the person does not meet Jobseeker Support eligibility criteria.

targeted engagement from September to October 2025 with key stakeholders who have relevant experience and expertise. These will include MSD reference groups, youth and beneficiary advocacy groups, and organisations which provide community and family support.

35 The engagement sessions will be held online, except for Wellington-based stakeholders, whom we will meet in person. Stakeholders will be provided with a background document covering:

- The rationale for the new test.
- Details of the decisions that have been made to date.
- Specific details of the groups involved (e.g. what is meant by the terms “parent”, “young person”, and “dependent child”).
- Areas that are out of scope for engagement (such as the design of the parental income test).
- Specified areas that will be engaged on, such as situations where the young person cannot rely on their parents for support.

36 The findings from these engagement sessions will be analysed thematically and will inform subsequent policy advice for the Minister for Social Development and Employment.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

37 We have used five criteria to assess the options in comparison to the status quo. They are intended to reflect the policy objectives of the proposal and the problems it is trying to solve, and are as follows:

- **Encourages young people into employment, education, or training:** How well does the option support the intent of moving young people off benefit into a more sustainable path, such as work or education opportunities?
- **Maintains ability to access MSD services and support when needed:** How well does this option ensure that a young person is able to access support from MSD when they are in need of it, in regard to both financial support, and to programmes to help them get into employment, education, or training
- **Reduces government expenditure in the short term:** How will this policy affect government expenditure in the next three financial years?
- **Reduces government expenditure in the medium to long-term:** How will this option affect government expenditure on a longer-term basis, reflecting the objective of this policy to address long-term benefit receipt?
- **Reduces risk of long-term benefit dependency:** What impact does this policy have on the risk of young people remaining on benefit for long periods of time?

What scope will options be considered within?

38 This policy is a Budget 2025 initiative. As a result, initial work on this policy was heavily constrained by the practicalities of the Budget process, including short timeframes, limited scope, and an inability to consult because of Budget sensitivity.

39 Subsequent policy work has had its scope limited by the level of savings signalled in Budget 2025 [CAB-25-MIN-126.61] (and the need not to erode these savings), as well as the shorter timeframes associated with this work programme. Wider government initiatives and objectives are also reflected in the scope of this policy work, such as the Government target to reduce the number of people on Jobseeker Support.

What were the options considered?

40 Five options have been assessed against the criteria outlined in paragraph 37 (above):

- Option One – Status quo.
- Option Two – Provision of more education and training services for young people.
- Option Three – Test of parental income (only).
- Option Four – Test for gap in parental support (only).
- Option Five – Test of both parental income and parental support (a Parental Assistance Test).

41 Option Two is the only non-regulatory option.

42 Across all options, it should be recognised that the labour market, immigration settings and individual barriers have an impact on people's ability to enter employment.

Option One – Status Quo / Counterfactual

43 Under this option, there would be no changes to the eligibility criteria and policy settings of benefits for young people. Those aged 18 and 19 would continue to be able to receive a benefit if they are eligible, regardless of their parent's ability to support them.

44 In the case of Jobseeker Support, people aged between 18 and 24 would receive a lower rate of benefit due to their lower costs, consistent with current practice (unless they have a child or children).

45 Eligibility for most of MSD's employment products and services requires that the applicant is either receiving a main benefit or is at risk of receiving one long-term. Therefore, retaining the current policy settings would mean that young people would continue to be eligible for the different types of employment products and services that MSD administers, including:

- Case management from 1 July 2025 for all Jobseeker Support clients between the ages of 18 and 24 with part-time or full-time work obligations.
- He Poutama Rangatahi.
- Whakawātea te ara Poutama.
- Mayors' Taskforce for Jobs.
- Limited Service Volunteers (LSV).
- Flexi-wage.
- Mana in Mahi.
- any available regionally contracted employment services.

Option Two – More education and training services for young people

46 This option would see an increase in the amount and range of education and training services available for young people.

47 Recent research found that two of the biggest barriers to employment for young people in New Zealand are the lack of NCEA Level 2 (or equivalent) and a driver's licence.[15] This is consistent with international evidence that young people who are not in employment, education, or training are often missing basic numeracy and literacy skills. This research found that courses that focus on getting the basics right first, provide those most at risk of long-term unemployment with the necessary skills to enter and stay in employment.[16]

48 The types of education and training services under this option would focus on increasing young people's employability by addressing low literacy and numeracy skills as well as other skill or qualifications gaps such as drivers' licences.

---

[15] *Preparing All Young People for Satisfying and Rewarding Working Lives:* MSD Long-term Insights Briefing (2022), available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/long-term-insights-briefings/ltib-preparing-all-young-people-for-satisfying-and-rewarding-working-lives.pdf

[16] *Not in employment, education or training: the long-term NEET spells of young people in New Zealand*, MBIE (2013), available at https://thehub.sia.govt.nz/assets/documents/NEET%20spells%20of%20young%20people%20in%20New%20Zealand.pdf

Does this option encourage young people into employment, education, or training?

49 This option would likely have the most impact for those young people for whom the major barrier to getting a job or doing further study and training is their literacy, numeracy and/or other employment-relevant skills, such as having a driver's licence.

50 These types of education and training services are already provided by MSD. This option would aim to achieve a significant increase in the amount and range of services available, meaning more young people could get access and be helped to move into employment, education, or training.

51 However, for those young people who do not face these types of barriers, this option would not increase the incentives to exit benefit over and above the existing obligations and sanctions regime.

Does this option maintain the ability to access MSD services and support when needed?

52 This option would broaden the support that young people could access to move into employment, education, or training. As this option does not involve changing the policy settings for income support, the financial support available to young people from MSD would remain unchanged.

Does this option reduce government expenditure in the short term?

53 This option would likely be more expensive than the other options in the short-term. However, there is evidence that MSD's employment supports are effective, which has informed the Government's decision to increase investment in Community Job Coaching.

54 Time and resource constraints have meant that this option was not fully worked up and costed. Any cost savings resulting from this option would be contingent on factors such as the specific types of services, availability of service providers and the cost of delivery.

Does this option reduce government expenditure in the medium to long-term?

55 Improving the employability of young people by improving their skills, literacy and numeracy has the potential to result to benefit multiple areas across government as a result of the improvements in young people's longer-term outcomes (including by fostering a higher-skilled workforce and population).

56 In the long-term, this could result in more young people in employment, and could result in increases in tax revenue compared to the status quo The size of any cost savings and/or tax take would be highly dependent on labour market conditions over the short, medium, and long-term, both in terms of availability of employment and the wages/salaries that young people are able to earn over their working life.

Does this option reduce the risk of long-term benefit dependency?

57 By upskilling young people and addressing the underlying barriers they have to employment, this option could help to reduce their risk of long-term benefit dependency. Increasing their skills would be likely to increase the employability of a young person and increase the likelihood that their employment is sustainable in the longer-term. That is, contingent on local labour market conditions, the young person would be more likely to be able to get a job that engages them, meaning that they are incentivised to stay employed and increasing the chance that they are able to progress to higher-paid jobs over time. This is in contrast to jobs in the secondary labour market, which result in people's exits from

benefit tending to be relatively short-lived, with one or more returns to benefit over their working lives.

Option Three – Test for parental income (only)

58 This option restricts access to Jobseeker Support for young people by requiring that their parent/s have an income at or under a certain amount, to be decided as part of further design work.

59 The Parental Income Test would tighten the gateway to specified benefits because if their parent/s are earning above a given income threshold, the young person would not be eligible. The income threshold could be aligned to the gross income cut-out point for a couple with dependent children receiving the Supported Living Payment, which is currently $65,529 per annum.

60 The income threshold could be designed to reflect the family's circumstances, for example, 'staircasing' to reflect additional dependent children. In order to keep pace with movements in average wages, the income threshold could be indexed as part of the Annual General Adjustment that takes effect on 1 April each year.

61 For the purposes of this test, parent/s would include biological parents, adoptive parents and step-parents.[17] If the young person is granted Jobseeker Support, their parents' income would be re-checked every 26 weeks, as part of the young person's reapplication for Jobseeker Support.

Does this option encourage young people into employment, education, or training?

62 Some young people may not have any specific barriers to work that limit their ability to find employment. This option could increase the incentives for this group to move into employment, education, or training as they would not be able to access a benefit for financial support.

63 For those that are able to secure work, evidence indicates being in suitable work generally leads to improved income and is associated with better health and wellbeing for individuals and their families, while unemployment is associated with a range of negative outcomes.

64 However, outcomes for any individual will depend on a range of factors including whether the work accommodates their individual work capacity or caring responsibilities, the quality of the job, and the financial gains from working. People who exit benefit and enter or re-enter work usually experience improvements in income (especially where they take up in-work support if on low incomes). Employment and socio-economic status are the main drivers of disparities in physical and mental health and mortality.[18]

65 However, it needs to be recognised that there are young people who are on a benefit not because they lack motivation, but because they face particular barriers. Those barriers

[17] Whether married, in a civil union, or a de facto relationship with the young person's biological or adoptive parent.

[18] Government Inquiry into Mental Health and Addiction. (2018). He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction; New Zealand. New Zealand Health and Disability System Review. (2020). Health and Disability System Review—Final Report Pūrongo Whakamutunga; Health and Disability System Review: Wellington, New Zealand.

include low literacy and other relevant skills and/or mental health challenges. This option therefore would be unlikely to have the desired behavioural impacts across the board.

Does this option maintain the ability to access MSD services and support when needed?

66 Eligibility for most of MSD's employment products and services requires the person to either be receiving a main benefit or be at risk of receiving one long-term. As such, introducing a parental income test would reduce the ability of some 18 and 19 year olds to access MSD's full range of employment supports as they would not be on a main benefit.

67 MSD does offer some employment supports to a wider cohort than just people receiving a main benefit, which young people who are no longer eligible for a specified benefit (as a result of the parental income test) would be able to continue to access. However, this is a much more limited range of support and in some cases is only available in some regions rather than consistently.

68 Research suggests that the reasons why young people need welfare support includes their level of education or skills, or where they come from a socio-economically disadvantaged family background or neighbourhood.[19] Depending on the income limit for the parental income test, it can be assumed that some young people who come from low-income backgrounds will continue to be able to access a benefit.

69 As there is no obligation for parents to provide support to their young person, this option may also mean some young people do not receive support from either MSD or their parents. This would be in circumstances where the young person is ineligible for a specified benefit due to the parental income test, but where the parent does not provide support. This could be (but not limited to) because the young person does not have contact with their parents to be able to provide their income information to MSD, the young person does not have a relationship with them, or the parent/s cannot or will not support them.

70 This option could lead to unintended consequences for young people who are not able to rely on their parents, leaving young people exposed to hardship. This may also increase reliance on other sectors such as housing, health, and justice.

Does this option reduce government expenditure in the short term?

71 Yes, under this option if a young person is not in employment, education, or training there is an expectation that their parents are responsible for supporting them financially rather than the government.

72 However, it may increase short term expenditure in other areas, such as on Student Allowance or accessing supplementary or hardship assistance from MSD as a non-beneficiary. This is because of a potential behavioural impact whereby young people who do not have a relationship with their parents will look to qualify for support through other, existing gateways.

Does this option reduce government expenditure in the medium to long-term?

73 For some young people, this option does not address the barriers that limit their employability, meaning they will likely still require support from MSD once they turn 20.

---

[19] *Preparing All Young People for Satisfying and Rewarding Working Lives:* MSD Long-term Insights Briefing (2022), available at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/long-term-insights-briefings/ltib-preparing-all-young-people-for-satisfying-and-rewarding-working-lives.pdf

The lack of access to support prior to the age of 20 could result in more negative life outcomes than would have been the case otherwise.

74 If parents do not provide financial support to their young person (in place of a specified benefit), there are likely to be increases in costs for other government sectors (e.g. justice, courts, housing).

Does this option reduce the risk of long-term benefit dependency?

75 While this option would prevent young people from using specified benefits as a first means of support, it would not address underlying reasons why support is needed. It may result in the young person needing support from age 20, potentially for long periods of time, for example because the young person may have been unemployed or only able to access low-skilled or temporary jobs that would not help with future employment stability or progression.

76 In circumstances where a young person has been unable to receive support from MSD or their parents, this may in fact increase the risk of long-term benefit dependency from age 20 as a result of the increased hardship they faced at ages 18 and 19 without the associated financial support and access to employment services.

Option Four – Test for gap in parental support (only)

77 This is the approach that Cabinet agreed on through Budget 2025 and which 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.

78 This test is similar to that currently used in applications for youth benefits (Young person payment and Young parent payment) and would assess whether a young person's parents are able to support them financially or whether there has been a family breakdown or other reasons why the young person could not be reasonably expected to rely on their parents for financial support. Young people assessed as not having a gap in parental support would not be eligible for a specified benefit.

79 The test could be applied through a simplified process. For example, MSD or another government agency may have previously determined that a person cannot rely on their parent/s, for example, in the case of young people transferring directly from Youth Payment to one of the specified benefits.

Does this option encourage young people into employment, education, or training?

80 As this option would prevent young people where there is no gap in parental support from receiving a benefit, young people in this situation may be incentivised to enter employment, education, or training due to the lack of other means available to support themselves.

81 However, as with Option Three, this option does not address the underlying barriers which young people may face to entering employment, education, or training. As such, it would not be likely to have a behavioural impact on young people who face barriers such as mental health challenges or other needs that require specific intervention.

Does this option maintain the ability to access MSD services and support when needed?

82 This option would target the ability to receive support from MSD specifically to those young people who are unable to rely on their parents due to a parental support gap. Anyone aged

18 and 19 without a child who maintains a relationship with their parents, regardless of their parents' income, would be ineligible for support.

83 There is a risk with this policy that such a test could result in people fabricating family breakdowns in order to receive support, particularly in situations where family income as a whole is relatively low and the parents would be unable to support their young person. Some of this potential risk could be mitigated through operational policy settings.

Does this option reduce government expenditure in the short term?

84 Yes, by restricting access to specified benefits to those who do not have the ability to rely on their parents for support, this option would reduce short-term government expenditure on those benefits. However, this is expected to be a smaller number than those that would be ineligible due to the parental income test, as the evidence for a parental support gap is likely to be less straightforward than evidencing parental income.

85 Without an income test, this may place further pressure on families with very limited economic means, leading to increased uptake of other government services and assistance. Such impacts have not been modelled due to constraints on the policy development process but could be significant.

Does this option reduce government expenditure in the medium to long-term?

86 As with Option Three, this option will not address underlying barriers to employment for young people, and they may still need support from MSD upon turning 20. In the interim, the lack of a check on the financial means of a young person's parents means that they may fall further into hardship and have a greater need by the time they are able to access support. This may also mean the parents of these 18 and 19 year olds may look to access additional financial support such as hardship assistance from MSD (where available to those who are not in receipt of a main benefit), to account for the young person who is not able to access a specified benefit in their own right.

87 This option also has potential to result in overall greater costs to government as a result of increases in costs for other government sectors where despite the fact there is not a family break down the parents are not able to or do not provide financial support to their young person (in place of a specified benefit), there are likely to be increases in costs for other government sectors (e.g. justice, courts, housing).These would flow on from the increased hardship which young people may face while unable to receive support from MSD and could risk negating the initial savings to Vote Social Development when taking a whole-of-government view.

Does this option reduce the risk of long-term benefit dependency?

88 This option would prevent young people from using specified benefits as a first means of support when they are 18 or 19, reducing some of the risk of long-term receipt. However, the lack of an income test could result in situations where a young person is unable to get support from their parent or from MSD, potentially causing greater hardship for both the young person and their family.

89 In turn (and as with Option Three), this could cause greater hardship by the time the young person is 20 (particularly where any barriers to employment remain unaddressed) and may result in greater need for support from MSD over a longer period. If the young person is not able to secure employment during the period when they are not able to access a main

benefit, there could be a deterioration of aspects such mental health, which in themselves can contribute to long-term benefit dependency.

Option Five – Test parental income and parental support (Parental Assistance Test)

90 This option is a combination of Options Three and Four. In order to qualify for a specified benefit, the young person's parent/s would need to be earning at or under gross income cut-out point for a couple with dependent children receiving the Supported Living Payment. This would be $65,529 per annum if the policy was implemented in 2025/26. This is the Minister's preferred option.

91 Approximately 4,300 18 and 19 year olds are expected to become ineligible for the specified benefits in 2027/2028 with this parental income limit as compared to 9,205 becoming ineligible with the design of the Parental Assistance Test that was proposed in Budget 2025.

92 A fiscally neutral (as compared to Budget 2025) income threshold was explored by officials but was ultimately not progressed. It would have required the income threshold to be set at around $38,115 total income for both parents and would have meant that most young people whose parent/s are receiving main benefits would no longer be eligible for a specified benefit. This would have resulted in additional financial pressure for very low-income families.

93 As with Option Four, if the young person attests that they cannot rely on their parents for support, MSD will assess whether a parental support gap exists. A young person living with their parent/s would not be able to claim that a parental support gap exists.

94 The application of any Parental Support Gap test could be simplified. For example, MSD or another government agency may have previously determined that a person cannot rely on their parents, such as those transferring directly from Youth Payment to one of the specified benefits. In these instances, the existence of a parental support gap would not need to be re-examined.

Does this option encourage young people into employment, education, or training?

95 Young people may be encouraged into employment, education, or training if they are unable to access support from their parents or MSD. However, as with Option Three and Option Four, it would not be likely to have a behavioural impact on young people who face barriers such as mental health challenges or other needs that require specific intervention.

Does this option maintain the ability to access MSD services and support when needed?

96 Young people will not be able to access a specified benefit if their parents have income over the specified amount and they do not have a parental support gap. As with Option Three, because they will not be receiving a benefit, these young people will not be able to access some employment support services.

97 Young people can continue to test their ability to access a specified benefit if their parents have income at or below than the specified amount **or** if they cannot be reasonably expected to rely on their parents for support.

98 As with Option Three, it should be noted that there is no obligation on parents to provide support, and there will be some parents who will not or cannot provide support to the young person, despite the absence of MSD support.

Does this option reduce government expenditure in the short term?

99 This option will reduce costs to Vote Social Development, although likely less than Option Four as this option will allow young people who cannot rely on their parents for support to access specified benefits.

Does this option reduce government expenditure in the medium to long-term?

100 For some young people this option does not address the barriers that limit their employability, meaning they will likely still require support from MSD after they turn 20.

101 However, this option has a lower impact on long-term expenditure due to more young people being able to access employment support from MSD.

Does this option reduce the risk of long-term benefit dependency?

102 By having both a parental income and a parental support gap test, this option accounts for multiple situations and reduces the risk that young people face additional hardship due to gaps in the overall test. However, there will still be a risk that young people enter benefit from age 20, as this policy does not address any underlying causes as to why people receive a benefit in the first place.

How do the options compare to the status quo?

	Option One – Status Quo	Option Two – Provide more education, and training services for young people	Option Three - Parental Income Test only	Option Four - Parental Support Gap Test only	Option Five - Parental Assistance Test (includes Parental Income Test and Parental Support Gap Test)
Encourages young people to move into employment, education, or training	0 Young people are able to access a range of employment support services, including case management for Jobseeker Support clients aged 18-24 who have either part-time or full-time work obligations.	+ This option would help to prepare young people for employment, education, or training through providing support to overcome barriers which limit these opportunities.	0 This option could incentivise some young people whose parents earn over the income threshold to enter employment, education, or training. For some young people it will limit the support that they would be able to access that would help to address their employment barriers. Moves the burden/onus to the parents to support/encourage the young person to move into employment or further study.	0 This option could encourage some young people to enter employment, education, or training. However, for some young people it would limit access to support that would help address barriers to employment.	0 This option would encourage some young people to enter employment, education, or training. However, as with Option Four, for some young people it would limit access to support that would help address barriers to employment.
Maintains ability to access MSD services and support when needed	0 Young people are able to access specified benefits (provided they meet current eligibility criteria) and a range of employment support services.	+ There would be more employment-related support available for young people under this option.	- - Young people would have considerably reduced access to MSD services and supports compared to status quo. Young people with parents who earn more than the income threshold (would be $65,529 if policy implemented in 2025/26) and a parental support gap will be unable to access any support.	- - Young people would have reduced access to MSD services and supports compared to status quo. Does not account for parents' income meaning that the circumstances of families that may already under financial strain will not be considered. However, young people with a parental support gap will be able to access welfare and other support from MSD.	- Fewer young people would be able to access MSD assistance to support them into employment, education, or training as compared to the status quo. However, the combination of an parental income test and a parental support gap test will mean that more young people would be able to access MSD support as compared to Options Three or Four.
Reduces government expenditure in the short term	0 Government expenditure moves based on Treasury forecasts.	- This option would increase government expenditure The extent of the increase would depend on the types of services offered, availability of service providers (scarcity could drive up price) and other factors affecting contracted cost of delivery.	++ This option would lead to short-term savings in expenditure on benefits due to fewer young people qualifying for specified benefits.	+ This option may lead to short-term savings in expenditure on benefits due to fewer young people qualifying for specified benefits, but the extent of this as compared to Option Three is unclear due to lack of information on how many might have a parental support gap.	+ This option would lead to short-term savings in expenditure due to fewer young people qualifying for specified benefits. The savings would likely be smaller as compared to Option Three due to some young people being able to access specified benefits on the basis of a parental support gap.
Reduces government	0	+ This option could reduce benefit expenditure while increasing tax	- - This option will likely increase government expenditure in the	- - This option will likely increase medium to long-term government	- By having both an income test and support gap test this policy can better

	Option One – Status Quo	Option Two – Provide more education, and training services for young people	Option Three - Parental Income Test only	Option Four - Parental Support Gap Test only	Option Five - Parental Assistance Test (includes Parental Income Test and Parental Support Gap Test)
expenditure in the medium to long-term	Government expenditure moves based on Treasury forecasts.	revenue because this option would help with barriers young people may have to entering employment/mismatch with what employers are looking for.	medium to long-term. Young people whose parents earn above the income threshold but who do not/will not provide them with financial support will likely have greater need for support from other government sources, including MSD hardship and supplementary assistance. Could result in increased movement into the Student Support system (by those who meet eligibility criteria) as an alternative way to access financial support.	expenditure. It is expected this option will increase the financial strain experienced by low-income households resulting in greater uptake of support from other government sources including MSD hardship and supplementary assistance. Could result in increased movement into the Student Support system (by those who meet eligibility criteria) as an alternative way to access financial support.	identify and support those young people who will need support from the welfare system. identify which young people still need support from the welfare system. Supporting those who need it will reduce the medium to long-term government expenditure compared to Options Three and Four as there would likely be less demand for other government services. Could result in increased movement into the Student Support system (by those who meet eligibility criteria) as an alternative way to access financial support.
Reduces risk of long-term benefit dependency	0 Even with the range of support available through MSD, it is estimated that people under the age of 25 on a main benefit will spend an average of about 20 years on a benefit over their lifetimes.	+ + This option would help to address some of the key barriers to employment which young people face, increasing the likelihood they will be able to have longer, sustained periods of employment rather than repeated benefit system exits and re-entry.	- This option would reduce the likelihood that young people access benefits while they're 18 or 19 years old. However, it would also mean that they would not be able to access MSD employment services that are contingent on being in receipt of a main benefit. This could have the effect of hardship-related entrenchment of barriers to employment, thereby increasing the risk of benefit dependency in the longer-term.	- This option would reduce the likelihood that young people access benefits while they're 18 or 19 years old. However, it would also mean that they would not be able to access MSD employment services that are contingent on being in receipt of a main benefit. This could have the effect of hardship-related entrenchment of barriers to employment, thereby increasing the risk of benefit dependency in the longer-term.	0 This option would mitigate some of the hardship-related risks identified for Options Three and Four. However, as with Options Three and Four, lack of access to employment supports may increase the risk of long-term benefit dependency.
Overall assessment	**0**	**++**	**- -**	**- -**	**0**

Key:

+	Better than the status quo	0	About the same as the status quo	-	Worse than doing the status quo
+ +	Much better than the status quo			- -	Much worse than the status quo

Multi-criteria analysis

103 Option Two would require upfront investment but is more likely than Options Three and Four to help address barriers that may be preventing young people from entering employment, education, or training. This could lead to long-term savings and is more likely to lead to long-term sustainable employment outcomes for young people. It would also build on interventions which have been recently implemented to support people into work through the Traffic Light System.

104 MSD is generally well-placed to facilitate the provision of these types of support to young people while they are in receipt of a benefit. There are economies of scale to be considered, as the provision of employment-related services are generally contracted out and the availability of suitable providers is not homogeneous across Aotearoa New Zealand.

105 However, any cost savings resulting from this option would be contingent on factors such as the specific types of services that would be offered and the contracted cost of delivery, which could be affected by availability of providers in specific locations around New Zealand.

106 For some young people, Options Three, Four, and Five could incentivise them into employment, education, or training, motivated by the lack of financial support from MSD and/or increased pressure from their parent/s). However, the size of the potential behavioural impacts, and any resultant savings are likely to be outweighed by impact on those young people who have barriers to employment or further study such as gaps in literacy and numeracy skills. By not helping to address these barriers, Options Three – Five could contribute to increased benefit dependency in the longer term resulting from the entrenchment of labour-market disadvantage.

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

107 Option Two is likely to best address the problem and meet the policy objectives. More education and training services for young people is more likely than the other options to address the problem, meet the policy objectives, and deliver the highest net benefits. This is due to addressing some of the issues that result in a mismatch between the skills and experience (such as literacy or numeracy skills) that young people might have when they leave school, and those that are required by employers, or education and training providers.

108 While there are higher costs in the short-term with this option, it is likely lead to better longer-term outcomes for young people, and government as a whole. By addressing some of the up-front barriers to employment, more young people are likely to be able to get jobs (to the extent that entry-level jobs are available) or take up education and training opportunities. This can be expected to reduce both take-up, and duration of benefit receipt, thus reducing government's expenditure in the welfare system. Options Three, Four and Five are all expected to increase demand for the Student Support system, as some young people will look to move to education when they are no longer supported via a main benefit. Acknowledging that many of these young people may not be in a position to study at this level.

Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?

109 No. The Minister’s preferred option is Option Five: Introduction of the Parental Assistance Test.

110 MSD’s preference is Option Two: Provide more education and training services. This is because, as previously noted, key employment barriers faced by young people include such things as not having achieved NCEA Level 2 (or equivalent), a driver’s licence, and/or fundamental workplace skills such as numeracy and literacy.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment *Nature of cost or benefit (e.g. whether ongoing or one-off), evidence and assumptions (e.g. compliance rates), risks.*	Impact *$m present value (where appropriate) for monetised impacts. High, medium, or low for non-monetised impacts.*	Evidence Certainty *High, medium, or low, and explain reasoning in Comment column.*
Additional costs of the Minister's preferred option compared to taking no action			
Young people	**Increased compliance requirements** Higher barrier to entry from the PAT, then more detailed compliance checks on an ongoing basis from verification of initial application grounds	Medium (non-monetised)	High – 18 and 19 year olds looking to apply for a benefit would face increased barriers to entry and more ongoing compliance tests
	Loss of financial support In some cases, young people applying for a benefit may receive less support from their parents than they would from MSD, or be unable to receive support from either party	Medium (monetised but unclear)	Medium – while this may happen, the potential scope is unclear and difficult to model
Parents of young people	**Increased support requirements** Parents would be expected to provide for the ongoing financial support of their young person for a longer period of time (from the current expectation of under-18 up to under-20)	High (non-monetised and unclear monetised)	High – this policy will place an increased burden on parents to financially support their young person, who would otherwise be eligible for specified benefits
MSD	**Implementation costs** One-off costs incurred to implement the policy changes	Low (monetised but unclear)	High – funds required to implement the policy change
Wider government	**Increased use of services** Due to potential reduced income, young people who would otherwise be receiving support from MSD may take actions which result in	Medium (monetised but unclear)	Low – all-of-government impacts are extremely difficult to model

	higher ongoing costs to government elsewhere (e.g. health or justice sectors)		
Total monetised costs		Low-Medium (to government) Medium-High (non-government)	
Non-monetised costs		Medium (non-government)	
Additional benefits of the Minister's preferred option compared to taking no action			
MSD	**Savings from reduced payments** The policy will result in fewer 18 and 19 year olds being able to receive specified benefits, reducing the overall cost to MSD	Medium (monetised but will depend on final policy settings)	Medium – based on forecasting from current payments and may change based on behavioural impact of policy
Young People	**Increased work focus** Some young people may be incentivised to enter employment, education, or training if they are unable to receive support from either MSD or their parents and have no other barriers to entering employment	Low (non-monetised)	Low – there is no clear evidence on what this impact, if any, would be. There is also no evidence on how many people would be in this situation
Total monetised benefits		Medium (to government)	
Non-monetised benefits		Low (non-governmental)	

What are the marginal costs and benefits of the preferred option in the RIS?

Affected groups (identify)	**Comment** nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.	**Impact** $m present value where appropriate, for monetised impacts; high, medium, or low for non-monetised impacts.	**Evidence Certainty** High, medium, or low, and explain reasoning in comment column.
Additional costs of the Agency's preferred option compared to taking no action			
Young People	**Associated education / training-related costs** Young people would be expected to cover costs	Low (monetised but unclear)	Medium – cost would depend on specific programmes and

	associated with their training or education where needed (e.g. transport)		other factors (e.g. where the person lives in relation to their programme)
MSD	**Provision of education and training opportunities** This option would have a greater initial cost due to the provision of programmes to help young jobseekers to upskill and find sustainable long-term employment	Medium-High (monetised but unclear)	Medium – total cost would depend on the programmes provided and the specific contracts agreed upon
Total monetised costs		Medium-High (to government) Low (non-government)	
Non-monetised costs		N/A	
Additional benefits of the Agency's preferred option compared to taking no action			
Young people	**Increased employability** Young people who participate in education and training programmes to address any barriers to employment they face would face greater employment prospects and be more likely to enter into long-term employment	High (non-monetised)	Medium-High – impact would depend on the training, participation level, and other external factors (e.g. labour market conditions)
MSD	**Reduced long-term benefit receipt** Increasing skills and employability of young people so that they are able to enter into long-term employment would ensure that they are less likely to return to benefit and remain on benefit for longer periods	Medium-High (monetised but unclear)	Medium – ability to exit benefit long-term would depend on a wide range of factors (e.g. labour market conditions) which are difficult to quantify
Wider government	**Reduced long-term use of services** By having regular income and increasing the prospects of employment, the need for other government services on a longer term would decrease	Medium (monetised but unclear)	Low – all-of-government impacts are extremely difficult to model

Total monetised benefits		Medium-High (to government)	
Non-monetised benefits		High (non-government)	

Section 3: Delivering an option

How will the proposal be implemented?

111 MSD will be responsible for the design and implementation of the option approved by Cabinet.

112 The Minister's preferred option (Option Five) will require change to primary and secondary legislation as well as design of policy settings, processes, and IT changes. MSD will work with the Parliamentary Counsel Office to draft the relevant legislative amendments, and the Leader of the House and the Minister for Social Development and Employment will manage the legislative change process.

113 Funding for estimated IT changes and other implementation costs was provided in Budget 2025, based on high-level policy parameters which have been expanded upon in the proposal that is being taken to Cabinet. The finalised policy settings could affect the costs of implementation.

114 In order to allow time for legislative change, the design of detailed policy settings, IT changes, process design, and staff training, it is proposed that any new policy will come into effect in November 2026.

115 MSD will develop comprehensive change and communication plans to ensure that clients and staff understand the policy change prior to it 'going live'.

116 Operationalisation of the Parental Support Gap test component of the PAT will require specific training for frontline Work and Income staff as it will involve the use of discretion as compared to the Parental Income Test.

How will the proposal be monitored, evaluated, and reviewed?

117 MSD will use regular monitoring to track trends and assess the impacts of the policy changes. Monitoring reports will provide detailed information about the number of young people accessing specified benefits. They will also provide timely indications of trends that warrant deeper understanding through further analysis and evaluation.

118 Regular monitoring reports will be produced that track the number and characteristics of beneficiaries, including:

- flows on and off specified benefits
- the number of young people who access specified benefits due to their parents earning at or under the income limit.

119 As a first step in identifying what monitoring needs to be put in place, and timeframes for delivering this, MSD will prepare a monitoring plan.