

**Subject:** Your OIA request of 08 July 2015 regarding a 'breakdown' of rate of payment of benefits  
**From:** D A (di...@msd.govt.nz)  
**To:** ...@yahoo.co  
**Cc:** Ombudsman\_and\_Privacy@msd.govt.nz;  
**Date:** Friday, 9 March 2018, 14:09

Dear ...

I refer to your OIA request of 08 July 2015 in which you had sought a 'breakdown' of the Jobseeker Support benefit, the Supported Living Payment and the Sole Parent Support benefit with reference to costs for food, clothing, accommodation, and so on.

The Ministry had previously responded that there was no legislative formula to determine benefit rates, but that the rate depends on factors such as benefit type, and whether a person is single or has dependent children.

You were of the view however that the Ministry's response was inadequate and had laid a complaint with the Office of the Ombudsman who had asked us for a provide more of an explanation of how benefit rates are determined.

We have consulted our Policy Team and a fuller explanation of how benefit rates are determined is given below:

### *Benefit rates*

1 The working age benefit rates are set out in the schedules to the Social Security Act.

2 The main benefit system provides a basic income to replace income that would generally be obtained through paid employment. Benefits are funded through general taxes. The initial rate of benefit varies according to the benefit type and whether the person is single, partnered or a sole parent. The rate of payment does not relate to the person's previous income from employment, rather it is intended to provide an adequate income to meet basic living costs, within a context that includes the availability of second and third tier assistance. The current rates have been arrived at by a series of historical decisions. There is no legislative formula to derive "correct" rates of benefit, rather judgements have been made balancing a number of competing objectives and issues, including whether the rates:

- provide an adequate income to allow *participation and belonging*<sup>[1]</sup> in society
- are fiscally sustainable (both the rate paid and the number of people supported by benefits affect their affordability)
- maintain incentives to work
- maintain incentives to study (particularly in the case of younger people)
- are publicly accepted (generally perceived as not too high and not too low and are consistent with broad assumptions about the needs of the particular benefit group – for example the assumption that a person receiving Job Seeker Support will return as quickly as possible to paid work)
- achieve broadly equivalent living standards<sup>[2]</sup> for different household types receiving the same benefit.

3 By convention, the purchasing power of benefit rates is preserved by an adjustment on 1 April each year reflecting any increase in the cost of living as measured by the movement in the Consumers Price Index. The Social Security Act contains provision to make this adjustment mechanism a legislative requirement. Unlike New Zealand Superannuation rates, main benefit rates are not linked to any wage measure. Hence, under the current adjustment mechanism, benefit levels will rise relative to wages at times when prices move faster than wages, and fall relative to wages when wages move faster than prices.

4 Within each working age benefit type, different rates apply for people who are couples, sole parents or single (this rate also varies according to the age of the person).

5 Additional basic income support for dependent children is paid through the family tax credit. The rate of benefit paid for couples with children is the same as the rate paid to couples without children. All of the working age benefits contain a sole parent rate of payment, which is higher than the single rate. This means that a sole parent can have his or her family circumstances recognised through any of the main benefits. The sole parent rate is the same regardless of the number of dependent children. New Zealand Superannuation is not a working age benefit and has a different rate structure for single people and couples.

Note [1]: The principle that adequate benefit rates would allow people to belong and participate in society was argued by the Royal Commission of Inquiry into Social Security (1972 Report)

Note [2]: New Zealand benefit rates relativities have been generally based on the Jensen Revised Equivalence Scale, which is in the mid-range of the widely used overseas equivalence scales. Nonetheless, because research in New Zealand has consistently found sole parents experiencing financial difficulty, the sole parent rate is higher than the rate that is obtained by applying equivalence scales

I hope you would find our explanation as above, an adequate response to your OIA (Request 1) of 08 July 2015.

Kind regards Diane

Diane Anderson – Manager Complaints Management Insights and Improvement

Phone: 04 916 3 (direct) 4 (internal) 029 (cell) :

Email: [di@msd.govt.nz](mailto:di@msd.govt.nz)

Complaints Management Insights and Improvement, Corporate Solutions, Ministry of Social Development, The Aurora Centre, 56-66 The Terrace. PO Box 1556, Wellington 6140

MSD Purpose:

We help New Zealanders to help themselves to be safe, strong and independent

Ko ta matou he whakamana Tangata kia tu haumaruru, tia tu kaha, kai tu motuhake

---

[1] The principle that adequate benefit rates would allow people to belong and participate in society was argued by the Royal Commission of Inquiry into Social Security (1972 Report)

[2] New Zealand benefit rates relativities have been generally based on the Jensen Revised Equivalence Scale, which is in the mid-range of the widely used overseas equivalence scales. Nonetheless, because research in New Zealand has consistently found sole parents experiencing financial difficulty, the sole parent rate is higher than the rate that is obtained by applying equivalence scales

----- This email and any attachments may contain information that is confidential and subject to legal privilege. If you are not the intended recipient, any use, dissemination, distribution or duplication of this email and attachments is prohibited. If you have received this email in error please notify the author immediately and erase all copies of the email and attachments. The Ministry of Social Development accepts no responsibility for changes made to this message or attachments after transmission from the Ministry. -----