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CONTENT OVERVIEW

LIST OF ABBREVIATIONS

ACC ---Accident Compensation Corporation

ACT------------------The ACT Party (official name, ACT New Zealand), originally the Association of Consumers and Taxpayers

AS--Accommodation Supplement

CEO---Chief Executive Officer

CPI --Consumers Price Index

GDP ---Gross Domestic Product

IWTC---In-Work Tax Credit

MPISOC --Max Planck Institute for Social Law and Social Policy

NZ$ -- New Zealand dollar

OCR ---Official Cash Rate

PM --- Prime Minister

RBNZ ---Reserve Bank of New Zealand

StatsNZ -- Statistics New Zealand

1. INTRODUCTION

New Zealand’s 2023 year was book-ended by political change. In January, Labour Party Prime Minister Jacinda Ardern announced that she was stepping down from her role and would be leaving Parliament. Then, in October, Labour was defeated in the general election and after six weeks of negotiations National Party leader, Christopher Luxon, was sworn in as Prime Minister on 27 November heading a three-party coalition. It remains to be seen how significant the shift from a centre-left to a centre-right government will prove to be in social policy terms but certainly the rhetoric and some of the election manifesto commitments of the new governing parties suggest a move towards a more hard-line and less generous approach.

The last of the Covid-19 control restrictions were lifted mid-year as the Omicron variant of the virus spread widely through the population. As in the rest of the world, Covid is now a permanent presence. The death toll in New Zealand continued to rise during the year and by 8 January 2024 a total of 3,645 people had died of Covid-19 or where Covid-19 was recorded as a ’probable cause’ since the start of the outbreak.[1] Deaths during 2023 totalled approximately 1,000 – considerably more than the average of 700 deaths annually that are caused by influenza.

Two severe weather events affected the North Island in early 2023. First, the Auckland region and some parts of the Waikato experienced extreme flooding from 27 January to 1 February. Some parts of Auckland city received over 250mm of rainfall in 24 hours, almost 100mm more than the previous record. The flooding resulted in four deaths and caused widespread damage to houses, roads and infrastructure. Two weeks later, Cyclone 'Gabrielle' struck the northern and eastern parts of the North Island. Thousands of homes were damaged, and road and rail links cut. Eleven people died, including two firefighters caught by a mudslide while checking an affected house for occupants. Government established a fund to assist with repairs and rebuilding but, at year’s end, a large amount of rebuilding work remains to be done to replace temporary bridges, repair houses and rehabilitate agricultural land. Moreover, there are still people living in caravans and temporary accommodation. It is generally agreed that a combination of the *La Niña* weather pattern and global warming contributed to the two storms.

Sometimes election years are marked by a flurry of legislation, including social legislation, as governments rush to get their policy commitments completed before the campaign begins. This was not the case in 2023, however, as Labour, facing fiscal pressure due to the Covid-related expenditures and also conscious of mounting disquiet among voters, opted to defer or drop several of its larger scale initiatives. There is therefore not a lot of new legislation to report on this year. There also happened to be no significant case law developments during 2023.

[1] https://covid19.govt.nz/news-and-data/covid-19-data-and-statistics/

2. CURRENT POLITICAL, ECONOMIC AND SOCIAL SITUATION

2.1. The Political Situation

Labour was already in electoral trouble before 2023 began. The centre left Labour-Green Party coalition was polling below the centre-right combination of the National and ACT parties for most of 2022 and this continued through 2023. Jacinda Ardern's decision to step down as Prime Minister in favour of Chris Hipkins did not provide the boost in Labour's popularity that she had presumably hoped it would. Equally, Hipkins' strategy of halting or deferring a range of Labour policy initiatives to focus on what he called 'bread and butter issues' did not prove to be a vote-winner. While the so-called 'policy bonfire' may have been welcomed by some more conservative sections of the electorate, it seems most of those had already decided to switch back to supporting either National or one of the minor parties. At the same time, dropping progressive policies such as a capital gains tax and several environmental initiatives alienated some of Labour's own voting base.

As the year progressed it became increasingly clear that Labour and the Greens would be unlikely to achieve a majority at the 14 October election, even with Te Pāti Māori support. Equally though, most polls showed that National and ACT would probably need the support of the centrist New Zealand First party to make it across the line. The final election results proved the pollsters right. National won 48 seats and ACT eleven, leaving them just shy of the minimum 61 seats needed for a majority. The Labour Party crashed badly from 65 seats down to just 34 while the Green Party increased its representation from ten to 15 and Te Pāti Māori rose from two to six. This meant that New Zealand First, with eight seats, was, in theory at least, once again in its familiar role as 'king-maker', able to enter a coalition with either National or Labour. However, from early on in the campaign both Chris Hipkins and New Zealand First's veteran leader, Winston Peters, had publicly ruled out working with each other so the outcome of the election came down to National being able to negotiate a deal with the ACT party to its political right and New Zealand First in the political centre.

Although Mr Luxon, a wealthy businessman and ex-CEO of Air New Zealand, openly prides himself on his negotiating skills, he is relatively new to politics and negotiating with a man of Mr Peters' experience as well as with ACT's David Seymour proved slow. The end result was two detailed, and at times contradictory, coalition agreement documents, and an arrangement that Mr Peters would be Deputy Prime Minister for the first 18 months of the Parliamentary term and Mr Seymour would take that role for the second half of the term. It is too soon to tell how well this three-way coalition will work but, despite some early jitters and glitches (and Labour's predictable taunts of 'coalition of chaos'), it is quite likely that the new Cabinet will settle into an effective unit able to carry out at least most of its policy agenda.

One other feature of the election deserves noting because of its potential influence on future social policy: the substantial rise in support for both of the smaller left-of-centre parties, the

Greens and Te Pāti Māori. To a degree these parties' successes were due to voters' disillusionment with Labour, but it does also indicate a rise in support for more left-wing or radical policies running alongside the overall swing to the right. The Greens for example committed to a wealth tax and to a form of universal basic income (albeit a poorly thought through version). Te Pāti Māori's manifesto also included a wealth tax, as well as a doubling of base rates of benefit. Whether these parties are able to extend their voter support between now and the 2026 election will probably depend in part of whether Labour chooses to rebuild along its traditional left-wing lines or move more towards the centre.

2.2. Economic and Fiscal Conditions

Economic activity was weak during 2023 and in the middle part of the year the economy narrowly avoided recession, the technical definition of which is two successive quarters of negative growth. As at the September quarter, which is the latest data available, real GDP had grown 1.3 percent on an annual basis (Statistics New Zealand, 2023a). This compares with 2.4 percent for the calendar year to December 2022 and 5.6 percent for the year before that. The Treasury is forecasting continuing sluggish growth averaging 1.5 percent per annum for each of the next two years (Treasury, 2023).

The unemployment rate, although not high, has also begun creeping upwards. From 3.4 percent in the December quarter 2022, unemployment had risen to 4 percent 12 months later (Statistic New Zealand, 2024a). Employment growth was also relatively weak during the year, increasing 2.4 percent which represented a 0.4 percentage point decline in the employment rate to 69 percent of the working age population.

Price inflation eased during 2023 but it remains above the Reserve Bank's target range of 1-3 percent. The Bank tightened its monetary policy stance during the course of the year raising the over-night cash rate[2] from 4.25 percent at the beginning of the year to 5.5 percent by May and holding it at that rate for the rest of the year. By December the annual Consumer Price Index measure of inflation had dropped to 4.7 percent, down from 7.2 percent a year earlier Statistics New Zealand, 2024b).

Slow economic growth also impacted on the fiscal situation and the Treasury is now forecasting that it will take until 2026/27 before the government's operating balance returns to surplus following the big Covid-related expenditures. The weaker fiscal position creates something of a headache for the new Government which has promised income tax cuts in 2024. The new Finance Minister, Nicola Willis, announced in December that she is seeking 6.5 percent expenditure savings from all government agencies. This is in addition to savings from

[2] The over-night cash rate is the interest rate banks must pay the Reserve Bank for money they borrow overnight. It influences the rate banks charge their customers for loans.

some large transport and infrastructure projects which the new Government put a stop to as soon as it came to office.

2.3. Social Conditions

Weakening economic and labour market conditions resulted in a rise in beneficiary numbers during 2023. As of 30 September[3], 362,094 people were receiving a main social welfare benefit, an increase of 4.7 percent (16,332 people) on the September 2022 figure. Most of this increase was due to higher numbers of people receiving the Jobseeker Support benefit (11,472 people) with smaller increases in the numbers receiving Sole Parent Support or the Supported Living Payment for people unable to work due to disability or long-term illness.

Record levels of net migration occurred during 2023. In the year to 30 October, net permanent and long-term migration was 128,900, made up of a net gain of 173,400 non-New Zealanders partly offset by a net outflow of 44,500 New Zealand citizens (Statistics New Zealand, 2023b). The lifting of the 2020 - 2022 Covid-related travel restrictions caused a one-off surge in immigration but, even allowing for this effect, the figure is much higher than New Zealand's 20-year average of annual net immigration of 48,000.

Strong inward migration is credited with having boosted domestic economic demand during the year but it created added pressure in other areas. In particular, house-building, which fell back during the year by 25 percent to 37,200 new building consents because of higher interest rates, is well below the level needed to house the population growth caused by immigration. The result has been continued pressure on rental rates, although not yet a return to rapidly rising house prices. Schools in some areas, such as Auckland's northern suburbs, are also expected to struggle to cope with large increases in rolls in the 2024 school year.

Child poverty statistics for the year to June 2023 will not be released until the end of February 2024 so there are no new data to report. However, given the absence of any further enhancements to social assistance programmes and the fact that wages were tending to lag behind price inflation, it is unlikely that child (and adult) poverty rates will have reduced, and they may have increased. Using data from the year to June 2022, an estimated 12 percent of dependent-aged children lived in households with equivalised incomes below the 50 percent of median equivalised income poverty threshold (Statistics New Zealand, 2022).

[3] December figures have not yet been published.

3. SOCIAL POLICY AND SOCIAL LAW DEVELOPMENTS

As mentioned in the Introduction, 2023 was not an active year in respect of new policy developments. Most social policy areas saw either no change or only minor changes such as the regular adjustment of rates to take account of price or wage growth. Areas where Labour had signalled more substantive reforms or new initiatives were either deferred (Working for Families tax credits) or dropped entirely (the social income insurance proposal).

The new Government has not yet had time to introduce its own agenda so the only legislation they introduced in the last few weeks of the year were moves to stop or undo Labour policies.

3.1. Social Welfare Benefits

There were no major changes to the system of social welfare benefits during 2023. Core payment rates were increased as they always are on 1 April to reflect living cost increases. In 2019 the law had been changed so that benefit rates are indexed to average wage increases rather than changes in the consumer price index (CPI). Usually, wages rise faster than prices so this change was to beneficiaries' advantage but over the 2022 calendar year consumer prices had risen 7.22 percent while the average net wage had only risen 6.24 percent. The Labour Government used its discretionary power to increase benefit rates by the higher price-inflation amount. The increase amounted to between NZ$16.88 and NZ$33.99 net per person per week depending on benefit category and family circumstances. Full details of benefit rates will be included in the forthcoming Country Report.

The new National-led Government has announced that it will be reverting to CPI indexation of benefits from 2024, a change which is estimated to save NZ$670 million in government expenditure over four years but result in beneficiaries being between NZ$18 and NZ$35 per week worse off depending on benefit type and family circumstances, increasing child poverty by an estimated 7,000 (Coughlin, 2024).

One benefit-related change the Labour Government introduced in the May 2023 Budget was to reinstate access to the Training Incentive Allowance for sole parents and for beneficiaries with disabilities and their carers. The Training Incentive Allowance was a programme which provided living cost funding to these groups of long-term beneficiaries to undertake higher education (at trades or university degree levels). It had earlier been cut back to only support short-term and lower-level training.

3.2. Working for Families Tax Credits

Although Labour was carrying out a review of the Working for Families family tax credits during 2022 and 2023, in the end they deferred any reforms until after the election. During the election campaign, however, both the Labour and National parties promised to increase the income threshold for Working for Families abatement from NZ$42,700 gross per annum to

NZ$50,000 per annum from 2024. Each dollar earned above the threshold level of family income results in the family's entitlement to tax credits being reduced by 27 cents. Both parties also agreed to increase the maximum amount of the In-work Tax Credit (IWTC) by NZ$25 to NZ$97.50 per week. The IWTC is only payable to families who are not receiving a welfare benefit and are in work.

In December, Prime Minister Luxon announced that Working for Families rates will rise by between NZ$4 and NZ$8 per week from 1 April 2024. These increases are the inflation adjustments required under the legislation. Whether the new Government plans more substantive changes to the system of family tax credits, beyond the manifesto commitments, is unlikely to become apparent until the 2024 Budget.

3.3. Social Housing and Accommodation Benefits

There were no changes to the Accommodation Supplement (AS) other than the small 'flow-on' adjustment that occurs each April when main benefit rates increase. The AS is a cash payment available to beneficiaries and low-income earners to assist with private sector housing costs. A parallel scheme – the income-related rent subsidy – is available to state- and social-housing tenants. It, too, remained unchanged during 2023.

The Government did introduce a temporary housing assistance payment to help people displaced by the Auckland floods and Cyclone 'Gabrielle'. The North Island Weather Events – Temporary Accommodation Assistance scheme was established in June to assist people who were forced to move into temporary rental accommodation as a result of the storms. It is only available when any private insurance assistance payments have run out. Maximum rates are set equal to the average weekly rent for different family types and vary by broad location. Initially the Ministry of Social Development expected about 300 families would need this assistance but by November 2023 only about 100 had been approved.

Although Cyclone 'Gabrielle' and the Auckland floods caused some delays, the State housing agency, Kāinga Ora, increased the total stock of state- and social-housing by 2,526 during the year to 30 June 2023. This is the highest increase since the housing shortage of the last decade began. The total State housing stock now comprises just over 72,000 units, including about 5,000 managed by various community groups. This figure represents less than 4 percent of the total number of private dwellings in New Zealand.

Despite the strong growth in State house provision, the number of applicants on the Ministry of Social Development's Housing Register rose by 8.9 percent in the 2023 year and now exceeds 25,300 individuals or families. The increase reversed the downward movement seen in the previous year and is a matter of considerable concern given the strictness of the Ministry's criteria for accepting applicants onto the Register. It is likely that the flow-on effects of high net migration inflows are a contributing factor in the worsening of the housing shortage for low-income renters.

3.4. Paid Parental Leave

There were no changes to parental leave policy during the year, other than the annual adjustment to the maximum weekly rate, which rose from NZ$661.12 to NZ$721.17. The maximum entitlement period for paid parental leave is 26 weeks. In its election manifesto, the Labour Party proposed phasing in an additional four weeks' paid parental leave for partners able to be taken either concurrently with the mother's leave or after hers. At present there is no separate paid partner leave although mothers can transfer some of their entitlement to a qualifying partner. The new Government is unlikely to pick up Labour's proposal.

3.5. Minimum Wages

The statutory minimum wage was raised by NZ$1.50 per hour to NZ$22.70 per hour (NZ$908 gross for a 40-hour week or NZ$47,200 gross per annum) on 1 April. The increase was roughly in line with the change in consumer prices over the preceding calendar year. The youth rate and 'starting out' minimum wage remains at 80 percent of the adult rate and increased to NZ$18.16 per hour.

Official advice estimated that approximately 223,000 workers would have been directly affected by the increase in that their hourly rate of pay is on or below the new minimum (Wood, 2023). The negative impact on employment due to raising the minimum wage was estimated to be 5,100 jobs. This is not an estimate of direct job losses but of slower job growth than would have been the case without the minimum wage increase.

3.6. Child Support

The Child Support (Pass On) Acts Amendment Act 2023 came into force on 1 July. This amendment, discussed in last year's report (Fletcher, 2023), allows parents with care of a child or children to receive child support payments when they are on benefit. Prior to the change, sole parents on benefit were required to apply for child support from the other parent but those payments were retained by the State to defray benefit costs. From 1 July payments are passed on to the parent with care and are then treated the same as any other income for the purposes of calculating any benefit abatement. 'Pass on' has been argued for by many advocacy groups and commentators since the beginning of the Child Support scheme in 1991. The new provisions bring the New Zealand scheme more closely into line with the situation in Australia, which also has a system where all child support payments are transferred to the other parent but those payments may reduce entitlements to other assistance (Skinner, et al, 2016).

The change was estimated by officials to benefit approximately 41,500 families by an average of NZ$47 dollars per week net.

3.7. Kiwisaver

Kiwisaver is a government-organised voluntary private retirement savings scheme. Savers can choose from a range of private fund managers. If employed, a saver's contributions are matched by a three percent contribution by their employer. Nearly two-thirds of all New Zealanders (3,250,000 people) have a Kiwisaver account.

The 2023 year was not a bright one for Kiwisaver. Although total funds under management did rise slightly, this was due only to contributions. Net returns on investments were negative overall – a combined loss of NZ$1.9 billion for the year to March 2023, compared to a NZ$1.3 billion gain in the previous year (Financial Markets Authority, 2023). The losses reflected the worldwide downturn in equity and bond markets.

The year to March 2023 also saw increases in the number of people temporarily suspending their savings contributions and a 36 percent increase in hardship withdrawals as rising mortgage interest rates and higher inflation affected Kiwisaver members' ability to save for their retirement.

The only policy change relating to Kiwisaver was Labour's Budget announcement in May that government would pay the equivalent of the employer three percent contribution while a person is on paid parental leave. There is no indication that the new National-led Government will not stand by this new policy.

3.8. Public Health

The process of merging the previous 20 District Health Boards into the new centralised health agency, Te Whatu Ora – Health New Zealand, which was discussed in last year's report (Fletcher, 2023), continued throughout 2023. However, the change of government means that the parallel Māori Health Authority, Te Aka Whai Ora, that was supposed to work in conjunction with Te Whatu Ora will be disbanded. All three parties in the new coalition government are opposed on principle to having a separate authority with primary responsibility for improving Māori health outcomes.

New Zealand's health system is in something of a crisis at present. The pressures of the pandemic have exacerbated pre-existing staffing shortages and the effects of long-term underinvestment in new facilities. One result is a massive blow-out in waiting lists for elective surgery and other treatments. By May 2023, almost 30,000 people assessed for treatment or surgery had been waiting longer than the government target of four months and, as of 31 March, this included 4,850 people who had been waiting longer than 12 months (Martin, 2023). Primary health care, which is government-subsidised but mostly privately provided, is also facing difficulties due to a long-run decline in the real value of government assistance and an associated trend for general practitioners to retire or withdraw from the sector.

3.9. Accident Compensation (ACC)

ACC is the State-owned compulsory accident compensation and rehabilitation social insurance scheme. Details of the scheme will be described in the forthcoming Country Report.

The ACC Earner's Levy was increased from NZ$1.46 to NZ$1.53 per NZ$100 of earnings on 1 April 2023 to keep pace with rising claims costs. This is the second year in succession that the levy has been increased, having remained at NZ$1.39 per NZ$100 earned between 2016 and 2022.

One other change to the scheme during 2023 was to reverse a decision made by the previous National-led Government in 2010. Some full-time workers (where 'full-time' is defined as 30 or more hours per week) earn less than the weekly adult minimum wage which is defined on the basis of a 40-hour week. This could be because they work between 30 and 39 hours per week, are on a lower training or apprenticeship rate of pay or are exempt from the minimum wage for reasons of disability. Previously this group received a 'top-up' to their ACC weekly compensation so that it equalled 80 percent of the 40-hour weekly adult wage (i.e., $726.40 per week in 2023), rather than 80 percent of their actual wages. The top-up was payable as soon as weekly income compensation began, namely after the standard one-week stand-down period. In 2010, however, the then Government changed the law so that the top-up was deferred until after a five-week stand-down (that is, from the sixth week after the injury) on the grounds that paying higher than 80 percent created an incentive to remain on ACC longer than necessary. The Accident Compensation (Access Reporting and Other Matters) Amendment Act 2023 overturned the 2010 change so that the top-up is once again paid from the date weekly compensation commences.

Changes to monitoring and reporting of ACC access that are also contained in the same Amendment Act are described in Section 5.1 below.

4. INTERNATIONAL SOCIAL SECURITY ARRANGEMENTS

New Zealand's international social security arrangements remained unchanged in 2023. New Zealand has eleven bilateral reciprocal agreements that allow New Zealanders residing in the respective countries to continue to receive certain New Zealand social security payments and for citizens of the other countries to receive their nation's entitlements when living in New Zealand. The eleven countries are Australia, Canada, Denmark, the Republic of Korea, the Republic of Ireland, Jersey, Guernsey, Greece, Malta, the Netherlands and the United Kingdom.

New Zealand also has portability rules which allow New Zealand Superannuation and Veteran's Pension recipients to continue to receive those payments if they move to any of the Pacific countries.

5. RELEVANT ACTS OF PARLIAMENT PASSED DURING 2023

5.1. Accident Compensation (Access Reporting and Other Matters) Amendment Act

This Act, which came into force in June requires the Accident Compensation Corporation to report annually on take-up of ACC entitlements and any barriers to access by Māori and other identified population groups. It was introduced by the Labour Minister for ACC as a result of concerns being raised that there are inequities between population groups' access to, and use of, ACC entitlements that are to the disadvantage of Māori and some other minority population groups.

5.2. Child Support (Pass On) Acts Amendment Act

This Act, which is discussed in Section 3.7, came into effect on 1 July. It amended the Social Security Act 2018 and the Child Support Act 1991. The main effects of the Act are threefold. First, it removes the requirement for sole parents who apply for a social welfare benefit to also apply for child support from the other parent; second, it requires all child support collected by Inland Revenue (the agency which administers the Act) to be passed on the other parent instead of being retained by the State if the parent with care is on a benefit; and third, it includes child support receipts in the definition of income used for the purpose of determining benefit entitlements. The Act also contains a number of minor, or technical changes including addressing interactions between child support payments and supplementary hardship assistance, and between child support rules and the Unsupported Child Benefit.

5.3. Taxation Principles Reporting Act 2023 and Taxation Principles Reporting Act Repeal Act 2023

While not directly relating to social security legislation, the close relationship between taxes and benefits, and the focus in the Taxation Principles Reporting Act on equity issues make this short-lived legislation relevant to note here. The Act was passed by the Labour Government in August, and it would have required Inland Revenue to report publicly on various aspects of the taxation system as a whole. This reporting was to include the distribution of income and of taxation, as well as how the system measured up against taxation principles such horizontal and vertical equity and efficiency. This would presumably have included the impacts of the Working for Families tax credits, and possibly also the main benefit system.

The Act was widely regarded as a step towards building public support for a more progressive tax system, possibly by introducing wealth or capital gains taxes. National and Act had opposed the legislation when in Opposition and the new Government repealed the Act as soon as Parliament began sitting in December.

5.4. Fair Pay Agreements Act Repeal Act

Another early legislative action by the new Government was to repeal Labour's Fair Pay Agreements Act. Labour had campaigned on introducing such legislation in both the 2017 and 2020 elections, and it was finally passed in 2022. The purpose of the Fair Pay Act was to put in place a mechanism for compulsory industry-wide collective bargaining over minimum terms and conditions in situations where a trade union could gain support for such an agreement from at least 10 percent of the affected workforce or 1,000 workers (see Fletcher 2023). Because of New Zealand's low union coverage and lack of legislative support for multi-employer bargaining, the legislation had the potential to significantly affect workers (and employers) in low-paid sectors of the economy. The National Party had been consistently clear during debates on the legislation and in their election manifesto that they would repeal the act and duly did so within their first month in office.

6. CONCLUSION

There was even less social policy change in 2023 than there had been in 2022. Labour's 'policy reprioritisation' announced by Prime Minister Ardern in later 2022 became an almost complete end to all new policy developments during 2023. The new National-Act-New Zealand First coalition did not have time to introduce many changes between coming to office in late-November and the Parliament's rising for the Christmas-New Year holiday. However, it seems highly likely that 2024 will be a much busier year in social policy, as well as being different in political leaning than the previous six year were. Already, at the time of writing (mid-February), Prime Minister Luxon has referred to his approach to welfare as being one of 'tough love' and wanting to ensure all beneficiaries are abiding by their obligations. In one of her first major speeches, his Finance Minister, Nicola Willis, has referred to returning to the last National Party Government's 'social investment' approach to welfare, which (unlike the European Commission's Social Investment Package) had a heavy emphasis on welfare budget savings through harsher conditionality. How these ideas play out in terms of new policies and legislative changes are likely to become clear during the course of 2024.

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