

SOCIAL SECURITY AMENDMENT (NO. 2)

AS REPORTED FROM THE SOCIAL SERVICES COMMITTEE

COMMENTARY

Recommendation

The Social Services Committee has examined the Social Security Amendment Bill (No. 2) and recommends that it be passed with the amendments shown.

Conduct of the examination

The Social Security Amendment Bill (No. 2) was introduced on 29 April 1997. It was referred to the Social Services Committee after the second reading on 7 May 1997, and the committee was to report by 16 June 1997. The closing date for submissions was 9 June 1997. We received and considered seven submissions from interested organisations and individuals. Five submissions were heard orally. Approximately one and a half hours were spent on the hearing of evidence, and consideration took approximately three hours. All members of the committee expressed concern that the bill was before the committee for only six weeks. A request for an extension of a further 10 days was not granted by the Business Committee, but it did extend the deadline by 3 days.

Advice on the bill was received from the Department of Social Welfare.

This commentary sets out the details of the committee's consideration of the bill and the major issues addressed by the committee.

Background

The Social Security Amendment Bill (No. 2) amends the Social Security Act 1964. It provides for minor changes to the accommodation supplement, altering the assistance available to low-income earners with high housing costs.

Clause 2 of the Social Security Amendment Bill (No. 2) amends the definition of the term "accommodation costs" in section 61E of the principal Act so that the proportion of a person's payments for board and lodgings that is counted as accommodation costs is 62 percent. Section 61E of the principal Act currently provides that two-thirds (66.6 percent) of a board payment is to cover accommodation costs. The Government considers that, as this provision currently

stands, other costs, such as food and electricity, are being subsidised by the accommodation supplement while renters and home-owners cannot claim such costs. We heard that the proposed amendment is aimed at providing greater equity between the situation of boarders and those people who rent or own their own homes.

Clause 3 proposes to amend section 61H of the principal Act by allowing for the subsidy rate to be increased by regulation.¹ The clause does not allow for an Order in Council to reduce the amount of the subsidy rate. If a reduction in the subsidy rate were contemplated, legislation would still be required.

Clause 4 and the Schedule propose to amend Part II of the Eighteenth Schedule of the principal Act. Currently, the accommodation supplement pays 65 cents in the dollar for accommodation costs that exceed 25 percent (for renters and boarders) or 30 percent (for homeowners) of base income, up to set maximum rates. The proposed amendments, which would come into force on 1 July 1997, would increase the supplement to 70 cents in the dollar for these costs. We heard from advisers that the rates of accommodation supplement for people who do not reach the maximum rate would increase by more than 7 percent as a result of this measure.

The amendments provided in the bill as introduced also propose to increase the maximum amounts of accommodation supplement for one, two and three person households in the Area 1 accommodation supplement region from \$80 to \$100, \$100 to \$115, and \$125 to \$150 respectively². The amendments propose to increase the maximum amounts of accommodation supplement for one and three person households in the Area 2 accommodation supplement region from \$60 to \$65, and \$95 to \$100 respectively.³

Committee's consideration

We heard submissions from the Southland Beneficiary and Community Rights Centre, DPA New Zealand (the national assembly of people with disabilities), the Downtown Community Ministry, the Wellington Unemployed Workers' Union, and the Wellington People's Resource Centre. Most of our discussion focussed on the changes to the accommodation supplement in relation to boarders, and the information on which the proposed change was based.

Board payments

All but one of the submissions from organisations supported the provisions in the bill that would increase the financial assistance available to renters and home owners. The Southland Beneficiary and Community Rights Centre, the Wellington People's Resource Centre, the Wellington Unemployed Workers' Union and DPA New Zealand opposed the reduction in the proportion of board that is assumed to be accommodation cost and questioned the basis for this reduction. DPA New Zealand noted that many adults with disabilities are forced to board with their families, and suggested that the measure does not recognise the contribution that caregivers and families make to the ability of people with disabilities to live in the community.

Evidence for the reduction in the proportion of board and lodgings payments assumed to be accommodation cost is found in a 1996 Colmar Brunton research

¹ "Subsidy rate" means the first percentage figure set out in any particular clause of Part II of the Eighteenth Schedule of the principal Act.

² Area 1 comprises the Auckland region.

³ Area 2 comprises Hamilton, Tauranga, Rotorua, Napier, Hastings, Palmerston North, Nelson, Christchurch and Wellington.

report on accommodation supplement. The research found that, of the 67 percent of accommodation supplement recipients who knew the accommodation component of their board, 76 percent paid less than 50 percent of their board on rent. Eighty-one percent of the boarders who knew the proportion of board spent on rent said that this proportion was 60 percent or less.

We heard from the advisers that the proposed reduction in the proportion of board that is regarded as accommodation cost, when combined with the increase to the subsidy rate, would result in a net loss to boarders of one or two dollars a week.

Some people with disabilities who board may be disadvantaged by the change. We heard from the advisers that the accommodation supplement is intended to assist with accommodation costs; it is not provided for the purpose of recognising the contribution that caregivers and families make to disabled people.

Additional costs relating to any disability should be provided through the disability allowance, not the accommodation supplement.

Effect on other benefits

DPA New Zealand sought an assurance that the increase in the accommodation supplement would not be offset by abatement of other benefits. The Wellington Unemployed Workers' Union also commented that an increase in the accommodation supplement would be offset by a dollar for dollar reduction in special benefit.

We heard from the advisers that the only benefit which could be affected by increases to the accommodation supplement is the special benefit. This is a benefit of last resort for people who do not have sufficient income to cover their basic living costs. The special benefit tops up income to the required level. Each time that net income increases, the special benefit is reviewed, and generally a dollar of special benefit could be expected to be withdrawn for each dollar of increase. Depending on the rate of special benefit, an increase in the accommodation supplement could, therefore, be partially or completely offset by a reduction in the special benefit.

From 1 July 1997, a change is being made to the way in which the special benefit is calculated which will mean that most recipients will have a \$5 increase in their rate of special benefit. A required "shortfall" of \$10 a week is being reduced to \$5. This change means that people who receive both accommodation supplement and special benefit are likely to have a \$5 a week increase in their overall level of assistance. However, the special benefit is a discretionary benefit and dependent on individual circumstances and commitments. Whether there is, in fact, a change in the rate of special benefit depends on the presenting circumstances, with each application and review considered individually.

Rent levels

The Southland Beneficiary and Community Rights Centre suggested that rent levels might rise as a result of the increase to the accommodation supplement.

We heard from the advisers that the accommodation supplement is designed to minimise any incentives on landlords to increase rent levels in response to tenants becoming eligible for the supplement. The subsidy rate that is provided for rental costs exceeding 25 percent of benefit levels is less than 100 percent. Tenants would still pay 30 cents for each additional dollar of rent up to the maximum rate when the subsidy rate increases if the bill is passed. The maximum rate of the accommodation supplement is attained when a person is paying the median rental for their region and household size. Tenants pay the entire cost of any

portion of their rental above the median rent applicable to them. Since the median rental levels are obtained from actual rental agreements registered with Housing New Zealand, they represent the mid-range of actual rental properties available as alternative accommodation.

Conclusion

A majority decision was taken on clause 2, and all other decisions on clauses were unopposed. The decision taken on the amendments was unanimous.

KEY TO SYMBOLS USED IN REPRINTED BILL
AS REPORTED FROM THE SELECT COMMITTEE

(Subject to this Act,)

Words struck out unanimously

<Subject to this Act,>

Words struck out by a majority



Hon Roger Sowry

SOCIAL SECURITY AMENDMENT (NO. 2)

ANALYSIS	
Title	SCHEDULE
1. Short Title and commencement	Amendments to Part II of Eighteenth
2. Interpretation	Schedule of Principal Act
3. Rates of benefits, etc, may be increased by Order in Council	
4. Eighteenth Schedule amended	

A BILL INTITULED

An Act to amend the Social Security Act 1964

BE IT ENACTED by the Parliament of New Zealand as follows:

5 **1. Short Title and commencement**—(1) This Act may be cited as the Social Security Amendment Act (No. 2) 1997, and is part of the Social Security Act 1964* (“the principal Act”).

(2) This Act comes into force on 1 July 1997.

10 **2. Interpretation**—Section 61E (1) of the principal Act is amended by omitting from paragraph (c) of the definition of the term “accommodation costs” the expression “two-thirds”, and substituting the expression “62%”.

15 **3. Rates of benefits, etc, may be increased by Order in Council**—(1) Section 61H (1) of the principal Act (as substituted by section 30 (1) of the Social Security Amendment Act 1996) is amended by inserting, after the words “lump sum payment,”, the words “(co-payment) subsidy rate,”.

20 (2) Section 61H (2) of the principal Act (as substituted by section 3 (1) of the Social Security Amendment Act 1990) is amended by inserting, after the words “lump sum payments,”, the words “(co-payment) subsidy rates,”.

*R.S. Vol. 32, p. 625

Amendments: 1994, Nos. 86, 142; 1996, Nos. 20, 42, 49, 145, 155, 157

(3) Section 61H of the principal Act (as substituted by section 3 (1) of the Social Security Amendment Act 1990) is amended by adding the following subsection:

“(7) In this section, ‘(co-payment) subsidy rate’ means the first percentage figure set out in any particular clause of Part II of the Eighteenth Schedule.” 5

4. Eighteenth Schedule amended—Part II of the Eighteenth Schedule of the principal Act (as substituted by section 34 of the Social Security Amendment Act (No. 3) 1993 and amended by the Social Security (Rates of Accommodation Supplement) Order 1996 and section 3 of the Social Security Amendment Act (No. 5) 1996) is amended as set out in the Schedule of this Act. 10

SCHEDULE Section 4
 AMENDMENTS TO PART II OF EIGHTEENTH SCHEDULE OF PRINCIPAL ACT

Provision Amended	Amendment
Clause 1 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$125", and substituting the expression "\$150". By omitting from paragraph (b) the expression "\$95", and substituting the expression "\$100".
Clause 2 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$100", and substituting the expression "\$115".
Clause 3 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$80", and substituting the expression "\$100". By omitting from paragraph (b) the expression "\$60", and substituting the expression "\$65".
Clause 4 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$125", and substituting the expression "\$150". By omitting from paragraph (b) the expression "\$95", and substituting the expression "\$100".
Clause 5 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$100", and substituting the expression "\$115".
Clause 6 	By omitting the expression "65", and substituting the expression "70". By omitting from paragraph (a) the expression "\$80", and substituting the expression "\$100". By omitting from paragraph (b) the expression "\$60", and substituting the expression "\$65".



