

Fixing the Basics:

A firm, fair and affordable welfare system

Introduction

New Zealand needs a welfare system that is firm, fair and affordable. It should provide a safety net when people need it, support Kiwis to move back into employment, and remain affordable for taxpayers. The longer someone remains on welfare, the harder it can become to return to work, with consequences for individuals, families and taxpayers.

However, under Labour, the number of people receiving a Jobseeker unemployment benefit for more than two years surged by 60 per cent – from 49,000 to 78,000 – between 2017 and 2023, despite unemployment falling over that period. Too many New Zealanders became stuck on welfare for years, rather than getting the support and facing the clear expectations needed to move back into work.

Since coming into Government, National has put employment back at the centre of the welfare system, restoring the principle of rights and responsibilities through clearer expectations and consequences under the Traffic Light System.

But there is more to do.

A re-elected National Government will build on the progress already made by investing earlier to help people move into work, while strengthening expectations for those who remain on Jobseeker long term. With Treasury forecasting 220,000 more people in employment over the next four years, we want to ensure Kiwis are ready to take up those opportunities, particularly in growth areas such as primary industries, construction and infrastructure, tourism and hospitality.

Our plan is centred on five initiatives:

- Investing earlier to help long-term Jobseekers into work.** National will provide more intensive, work-focused support for 30,000 work-ready jobseekers who have been on a benefit for more than a year, supporting them move into employment before long-term dependency becomes entrenched, with greater funding for employment programmes that support young people into work.
- Stronger expectations after two years.** From 1 April 2028, jobseekers who have received Jobseeker for two of the previous three years will move to a lower rate of payment, with a smaller reduction for households with dependent children.
- Introduce random drug testing for Jobseekers.** National will introduce random drug testing as part of MSD's work-readiness and employment planning, starting with 10,000 tests in the first year and expanding the programme once established. Those who fail a second test will be required to undertake an alcohol and drug assessment, with continued non-compliance resulting in sanctions.
- Double the stand-down for repeated voluntary unemployment.** People who repeatedly leave employment without good and sufficient reason will face a 26-week non-entitlement period, up from 13 weeks.
- Extending the benefit residency requirement to five years.** From 1 April 2028, the minimum residence period for main benefits will increase from two years to five years.

Together, these will provide more support to help people into work, while making clear that those who can work are expected to.

Welfare support should always be temporary

National believes the Jobseeker unemployment benefit should be a temporary safety net for New Zealanders who find themselves out of work. However, historically around 40 per cent of people receiving a Jobseeker unemployment benefit have remained on a benefit continuously for more than two years, irrespective of underlying economic conditions.

This is not what the system was intended to do, and the consequences of long-term dependency can be significant. The longer someone remains on a benefit, the harder it can become to return to work. Those consequences can also carry across generations. Children who grow up in benefit-dependent households are more likely to receive a benefit themselves later in life, increasing the risk that disadvantage becomes entrenched from one generation to the next.

Reducing long-term dependency is therefore not just about helping people into work today. It is also about improving opportunities for their children and breaking the cycle of intergenerational poverty.

However, there is strong evidence that targeted employment support, backed by clear expectations, can help more people move off welfare and into work.

Under the previous National Government, a series of reforms introduced in 2012 and 2013 strengthened work obligations and encouraged labour force participation and formal education. Where work and work-preparedness obligations were not met, financial sanctions were introduced and applied to encourage compliance.

In the period immediately following these reforms, 13,000 individuals moved off a main benefit, including 8,000 fewer jobseekers and nearly 5,000 fewer people on sole parent support. This was estimated to contribute to a \$4.4 billion decline in the Government's long-term welfare liability, driven by higher rates of exit from welfare and into work, and a lower rate of return onto a benefit for those who had exited into work.

Getting the balance between support and responsibility right is critical to reducing long-term welfare dependency and ensuring the welfare system remains sustainable for those who need it. A re-elected National Government will invest earlier to help people into work, while strengthening expectations and consequences for those who remain on welfare long term.

National's plan to rebalance welfare towards work

Jobseeker Employment Support: Investing to help long-term Jobseekers back into work

The best time to intervene is before long-term dependency becomes entrenched and people become increasingly detached from the labour market. That is why National will establish a new Jobseeker Employment Support initiative, providing targeted, work-focused support to 30,000 work-ready Jobseekers who have received a benefit for at least 12 months. At least 5,000 of these places will be specifically targeted at young Jobseekers, aged 18-24.

Modelled on the "Invest to Save" initiative funded through this year's Budget, Jobseeker Employment Support will fund intensive, work-focused case management and greater access to employment programmes. Recipients will receive a needs assessment, an individual employment plan and practical support to address the barriers keeping them out of work, including targeted training, employment assistance and support connecting with employers.

Targeted case management works. By identifying what is keeping someone out of work and providing practical support to address those barriers, this initiative will help more long-term jobseekers make sustained moves into employment, lift household incomes and reduce the number of New Zealanders reliant on welfare, including children growing up in benefit-dependent households.

As part of Jobseeker Employment Support, National will also invest an additional \$12 million per annum in He Poutama Rangatahi, on top of existing baseline funding, to provide more employment support for young New Zealanders at risk of long-term unemployment.

He Poutama Rangatahi has demonstrated strong results in helping young people overcome barriers and move towards work. The Ministry of Social Development has evaluated the programme and found it was effective at achieving its short-term goals, delivering employment, education and training outcomes for young people. This additional investment will build on what is working and help more young New Zealanders get the support they need to move towards employment and independence¹.

Reduce Jobseeker payments after two years

To rebalance Jobseeker Support towards its original intent and strengthen the incentive to move into work, National will introduce a lower rate of Jobseeker Support for people who have been on the benefit for two of the previous three years.

From 1 April 2028:

- Single Jobseeker recipients without children would now receive the rate paid to 20–24 year olds and 18–19 year olds living independently. If introduced today, this would be a reduction of \$48.05 per week.
- If introduced today, couples without children would receive \$552.18 a week, an effective reduction of \$81.76 per week.
- Jobseeker recipients with dependent children would see a smaller reduction, equivalent to \$24.02 per week if introduced today, half the reduction applying to a single recipient without children.

Actual reductions will reflect Jobseeker rates in 2028, which will have increased on 1 April 2027 and 1 April 2028 to reflect inflation. The Supported Living Payment is unchanged.

¹ Ministry of Social Development, He Poutama Rangatahi Evaluation, 2024.

To prevent people avoiding the lower rate through short breaks from the benefit, eligibility will be based on cumulative time receiving Jobseeker Support. Anyone who has received Jobseeker Support for at least two of the previous three years will move to the lower rate.

This change reinforces the principle that Jobseeker Support is there to help people back into work, not to keep them on a benefit indefinitely. It sends a clear signal that support comes with an expectation of work, strengthens the incentive to take up available jobs, and helps keep the welfare system affordable for the New Zealanders who need it most.

Introduce random drug testing for Jobseekers

Being ready for work means being able to take up the jobs that are available. For many New Zealanders, drug testing is a normal condition of employment. It is reasonable to expect work-ready Jobseekers to meet the same basic expectation.

National will introduce random drug testing for Jobseekers, integrated into MSD's work-readiness and employment planning. We will undertake 10,000 random drug tests in the first year, with the programme expanding once it is established and operating effectively.

Those who fail a random drug test will be required to undertake a second test. A second failed test will trigger a mandatory alcohol and drug assessment to identify whether drug use is a barrier to employment and what steps are needed to address it. Where appropriate, those steps will become part of the person's work-readiness plan.

Jobseekers will be expected to comply with testing, assessment and any resulting work-readiness requirements. Continued non-compliance without good and sufficient reason will result in sanctions.

New Zealanders are regularly required to pass drug tests to get or keep a job. It is not too much to ask that people receiving Jobseeker Support who are required to be available for work take reasonable steps to remain work-ready. Drug use should not be allowed to become an unaddressed barrier to moving off welfare and into employment. We expect this policy to cost approximately \$1.5 million per annum, which will be funded from MSD baselines.

Double the stand-down for repeated voluntary unemployment

The welfare system is there to support people who need it, but it should not remove personal responsibility. Where someone repeatedly chooses to leave employment without good and sufficient reason, taxpayers should not be expected to immediately pick up the cost.

The current rules allow a 13-week non-entitlement period for repeated voluntary unemployment, but there should be stronger consequences where this behaviour continues.

A re-elected National Government will extend the current 13-week non-entitlement period for people who repeatedly choose to leave their job to 26 weeks. This is consistent with the approach taken in the United Kingdom, where repeated failures relating to employment can attract substantially longer benefit sanctions.

This change reinforces the principle that Kiwis who can work and repeatedly choose to leave employment without good reason should be accountable for that decision – not taxpayers. The welfare system should provide support when people genuinely need it, alongside clear responsibilities for those who are able to work.

Extend the benefit residency requirement to five years

New Zealand's welfare system is funded by taxpayers to provide a safety net for people who need it. But under the current rules, a new resident can become eligible for a main benefit after only two years in New Zealand. That does not reflect the reasonable expectation that people settling in New Zealand should support themselves and their families through work or their own resources before becoming eligible for long-term taxpayer-funded income support.

A re-elected National Government will extend the minimum residency requirement for main benefits from two years to five years, from 1 April 2028. Starting on that date gives time to pass any necessary legislation. The new requirement will apply to everyone who has not yet completed five years of residence at that date, but anyone already receiving a main benefit will keep it. Refugees and protected persons will continue to be exempt, and MSD will retain its existing ability to provide hardship assistance in genuine emergencies.

This is consistent with the approach in other countries. In Australia, most new permanent residents must wait four years before they can receive JobSeeker Payment. In the United Kingdom, most migrants cannot claim

benefits until they are granted settlement, usually after five years. This change will support the affordability of the welfare system while maintaining a fair safety net for those who need it.

Fiscal Impact

National's welfare reforms will support more people into work while keeping the welfare system affordable over time.

\$ million	2027/28	2028/29	2029/30	2030/31	Total
Jobseeker Employment Support	-\$46	-\$29	\$45	\$40	\$9
Employment Programme Funding	-\$12	-\$12	-\$12	-\$12	-\$48
Lower Jobseeker rate for long-term recipients	\$46	\$180	\$175	\$171	\$572
Five-year residency requirement	\$1	\$10	\$17	\$21	\$49
Net fiscal savings	-\$11	\$149	\$225	\$220	\$583

Jobseeker Employment Support

Jobseeker Employment Support will target 30,000 work-ready Jobseekers who have been receiving Jobseeker for more than a year and are at risk of remaining on welfare long term. The cost and annual funding profile for the initiative is based on the Budget 2026 Invest to Save initiative, adjusted pro rata from 25,000 to 30,000 places, with savings scaled for the relative weekly cost of Jobseeker, and a modestly lower rate of success, reflecting the reality that this programme is targeted at individuals who have been on jobseeker for longer than one year.

Lower Jobseeker Rate for Long-term Recipients

The lower rate of Jobseeker for long-term recipients is estimated to save around \$572 million over the forecast period.

This estimate starts from the number of people who have been receiving Jobseeker Support for more than two years and projects the affected cohort forward using the PREFU 2026 forecast for Jobseeker numbers. The fiscal costing is therefore based on the official forecast rather than assuming National's Jobseeker reduction target is achieved.

Savings are net of tax and allow for one-fifth of the reduction being offset by increases in other assistance. Rates are indexed to inflation each year. Estimated savings do not assume any further fiscal benefits from more people moving off a benefit and into work.

Residency Requirement

The five-year residency requirement is estimated to save around \$50 million over the forecast period.

The change will take effect on 1 April 2028, which allows time to legislate, and applies to all residents who have not yet completed five years of residence at that date.

Because the change stops new benefit grants rather than removing existing ones, savings build over time. These estimates allow for people already receiving a benefit to keep it. The longer stand-down for voluntary unemployment and mandatory clinical assessment will generate further savings, although these are expected to be modest and are not reflected here.