Changes made to housing subsidies, but not those that are needed: older people will be adversely affected

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PIE invited commentaries on an issue topical to this year's budget, and to inform election debates. Dr M.Claire Dale is the PIE Research Fellow.

Internationally, 'public housing' or 'social housing' provides stable, secure, affordable homes for people so they can remain in a community and participate more fully. Aotearoa New Zealand has the lowest level of public housing in the OECD with public housing stock just 3.4% of all housing. The OECD average is 7%, and the Netherlands 34.1%.[2]

Work and Income expect public housing occupants in Kāinga Ora (was Housing New Zealand) accommodation to pay an income-related rent which is updated annually.[3] The amount depends on individual circumstances, but currently a married couple with children would expect to pay around $223 per week in rent.[4] Work and Income used to ignore any income from the first 2 boarders because they are usually family members or whānau, but as of the 2026 Budget, if the applicant is a homeowner or is renting and subletting to boarders, any rent or board received is also counted as income.[5]

The 14 May 2026 budget signalled that government wants to move as many people as possible from public housing into market rentals.[6] Most of the 84,000 tenants in public housing have rent fixed at 25% of their income. But under 2026 budget policies, this rate will rise to 30% in 2027, estimated to increase rents by an average of $31 per week. Around 18,300 older citizens live in public housing and may see their rents rise by as much as $28 a week, a significant chunk out of New Zealand Superannuation (NZS).[7]

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[1] PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the PIE Hub.
[2] See Public Housing Advocates Warn Government's Review Of Kāinga Ora Must Not Usher In New Era Of Privatisation By Stealth | Scoop News.
[3] See https://www.workandincome.govt.nz/housing/live-in-home/live-in-public-housing/calculating-rent-payments.html.
[4] See https://www.moneyhub.co.nz/accommodation-supplement.html#:~:text=Someone%20not%20receiving%20a%20main,union%20or%20de%20facto%20couple.
[5] 2 March 2026, W&I count board payments from boarders. See https://www.cab.org.nz/article/KB00045019.
[6] Budget 2026 - Ministry of Social Development
[7] Single, living alone rate of NZS currently $555.15 per week, 30% of that is $166.55.

The 1991 National government extended market rents to all state-house tenancies and introduced a rental subsidy (formally named the Accommodation Supplement in 1993) for all low-income households.[8] About 50,000 people aged 65+ receive the AS.[9]

Most low-income people cannot access social housing and are supported in private rentals by the less generous Accommodation Supplement (AS).

> *In 1975, the Labour government of the day introduced the "additional benefit" – a supplementary allowance for housing costs and special expenses. This evolved into the "accommodation benefit" in 1981, which later became the accommodation supplement in 1993.[10]*

People in social housing or in Kāinga Ora (was Housing New Zealand) accommodation generally can't receive Accommodation Supplement (AS) because their accommodation costs are already government-subsidised. The AS is a non-taxable payment from Work and Income (or StudyLink for students) which helps people with their mortgage, rent, or board payments.

For beneficiaries and NZS recipients who are also home-owners, the AS provides weekly, income-tested assistance. For beneficiaries and NZS recipients who are renting, the AS is both income- and asset-tested. If a recipient's income, tax credits, other sources of income, or personal savings increase, AS payments decrease – and vice versa. Annual revisions of the main benefit can also lower supplement payments.

The asset-test disqualifies single people from the AS if they have cash assets exceeding $8,100, and couples are disqualified if their cash assets exceed $16,200. When this limit was last adjusted in 1988 (prior to the assistance being named AS), it was around 17% of the median house price. The asset limit is now around 1.75% percent of the median house price. This restricts recipients' ability to replenish savings that have been diminished, for example, by dental or other health costs. It discourages KiwiSaver contributions, prevents saving for contingencies and increases the financial vulnerability of recipients.

In the year to 31 January 2024, the government paid out NZ$2.34 billion in AS to 364,000 renters and mortgage holders. Then, in 2025, despite rising rents and an increase in the number of AS recipients, application of the harsh income- and asset-testing rules meant spending on the supplement actually decreased by $37 million.[11]

So, prior to the budget, there appeared to be cause for celebration in May 2026 when the Minister for Social Development and Employment announced that government was making changes to ensure the fiscal sustainability of the welfare system by better targeting financial assistance to those most in need. The Minister acknowledged the AS calculation has not changed for 33 years, and those with unsubsidised housing costs now generally pay a higher proportion of their income towards housing. The asset-test in particular is too low and causes hardship.

But, no. There is no cause for celebration and quite the opposite. The Social Security (Jobseeker Support and Accommodation Supplement) Amendment Bill,[12] introduced to Parliament on 14 May 2026, announces that from 1 April 2027, while the maximum rates

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[8] See A People's Review of Kāinga Ora: In Defence of Public Housing 2024

[9] For full discussions of housing options and issues for older people, see *PIE Commentary 2025-1, Policy Changes Would Improve Rental Housing Options for Older People* and *PIE Pension Briefing 2024-1, Housing Options for Older People in Aotearoa New Zealand: Trends and Challenges.*

[10] See The flaws in NZ's accommodation supplement.

[11] See 'The flaws in NZ's accommodation supplement.'

[12] See The Social Security (Jobseeker Support and Accommodation Supplement) Amendment Bill, 14.05.26.

of the AS for all areas will rise between $10 and $30 a week, depending on people's circumstances, including where they live and the size of their family,

- Tightened eligibility criteria for Jobseeker Support and the equivalent Emergency Benefit for 18- and 19-year-olds, requiring those people to meet the Parental Assistance Test before receiving the benefit (the change will not apply to 18- and 19-year-olds with dependent children),

and

- Adjusted the calculation for the AS for homeowners based on the homeowner contributing 40%, not 30% of their income to housing costs, before being eligible for a subsidy.

While the change to AS does not apply to renters and boarders, nor to those on NZS, Veteran's Pension, Supported Living Payment, or Emergency Benefit equivalent of Supported Living Payment, it does nothing to address the asset test. The extremely low asset limit of $8,100 for a single person and $16,200 for a couple ensures the recipients are trapped in a precarious financial situation.

No surprise then to read that a recent survey of 700 retirees by retirement income provider Lifetime showed 77% were worried about the cost of living.[13] The concerns topping their lists were the costs of groceries, power, insurance, petrol, heating, council rates, dental expenses, healthcare, accommodation and the inadequacy of NZS to meet those costs.

Another reality check: the consequences of that inadequacy. In Whangārei, according to the latest official count,[14] 75 of the 237 people living rough, sleeping in tents, in cars or on the street are aged 65 or older. As 40% of older people only have NZS, and another 20% have only slightly more income,[15] when fixed costs like rent, rates, insurance, electricity, continue to go up, they can't be absorbed, and people are forced to leave tenancies because they can't manage the additional costs.

This is evidence that the government's aim at targeting financial assistance to those most in need has missed its mark. A valid review and consequent adjustment of the income and asset test for the AS is long overdue.

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[13] See Call for higher pension rates as cost-of-living increases hit retirees.
[14] See Housing costs driving elderly to homelessness.
[15] See Retirement Commission Te Ara Ahunga Ora.